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JPRS 81510

11 August 1982

# Near East/North Africa Report

No. 2599

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11 August 1982

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No. 2599

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TRADE SAID FLOURISHING BETWEEN ISRAEL, LEBANON

Tel Aviv HA'ARETZ in Hebrew 2 Jul 82 Weekend Supplement pp 8, 9

[Article by Avi Valentin: "Good Currency"]

[Text] What was true about the soldiers of Napoleon is also true about the citizens of Lebanon. The army marches on its stomach. So do the civilians. When the army marches on its stomach, the civilians sometimes have a problem. They don't have an assistant battalion commander who makes sure they are fed. They don't have mobile food supply. They have to rely on free trade, and these days the "free trade" of Lebanon seems quite confused, uncertain, looking for sources of supply to replace the ones that have been cut off. We have met one of those sources at the "good fence" in Biranit. They came from Zaharani.

The IDF barrier on the road leading to the "good fence" at Biranit. A reservist resting on the hood of a military pickup truck. A transistor radio relaying greetings from Israel to the front and from the front to Israel. The sound comes out of a fortified position rendered superfluous thanks to the 25 miles of Ariq Sharon. It seems that the rear has arrived to this point. An MP, also a reservist, stops playing backgammon to find out what the two civilians want. The "good fence" is 200 yards north of here. No problems. You can go through. On a dirt road we meet a Lebanese driving a pickup truck. He is going to Safed. His wife is in the hospital, and he is going to visit her. Where else in the world are you going to see something like this?

South of the "good fence" you see the parked cars of merchants who are allowed to go into Israel. To the north, on the other side of the gate, the Lebanese side, you see the unchecked cars, coming from the north. Mercedes is definitely in the lead. The merchants from Zaharani have parked their cars there and are going to see the commander of the "good fence".

The hut is made of tin, painted brown. Inside there are tables and chairs in a military order. The two merchants sit on the left. The older one wears a black suit with white stripes and an impeccably white headgear. His face is furrowed by sun and years. When he smiles occasionally you can see he has few teeth left. The younger man is dressed more leisurely and wears no headgear. He does not want to have his picture taken, or his name

to appear in the paper. He is concerned about what will happen when the IDF leaves the area. In the meantime he is not going to take too many risks. The older one agrees at first to be photographed only from the back, and later changes his mind. It is hard to know whether he is more afraid of having or not having his picture taken. On the wall inside there are two flags, as befits the "good fence"--an Israeli and a Lebanese. Between the flags there is a map of southern Lebanon with the old borders of the Haddad fiefdom, before the "Peace in Galilee" operation. As in any other government office, here too there is a picture of the head of state. The picture makes it clear where you are--Haddad in uniform smiles above the head of the "good fence" commander. No room for mistakes--north of here Haddad rules.

The commander tells the merchants the rules of the place in Arabic. They listen, ask questions, and go to the customs office where the representative of the Ministry of Commerce and Industry can be found. They find out that food--besides the humanitarian aspect of Israel's willingness to supply it--has a price list. As merchants they come to see the price list. They won't haggle, since they have no choice but to buy.

#### Looking for Food

The customs office is a tin hut similar to the commander's. It's hot here too. It's almost noon and the tin absorbs the heat and keeps it faithfully. At the entrance several Arabs from the villages of southern Lebanon are huddling. They are at home here after 2 years of doing business as Major Haddad's people. The merchants from Zaharani go to see the customs official and the representative of Israeli commerce and industry.

Avraham Plemenbaum is the customs representative in Biranit, a long way from Haifa. Tomorrow someone else will replace him. They go out every morning at 5. Three customs officials in a carpool. One gets off at Hanita, the second at Biranit, and the third continues to Metulah. This morning the new customs checkpoint was opened in Hanita. The official there had no customers. Perhaps later on when the Lebanese merchants find out about it they will go there. This morning only the two old checkpoints are busy.

Times change and the customs also change. Trade with Lebanon is not the same thing as trade with southern Lebanon. Plemenbaum does not complain. On the contrary. He is in high spirits. He wears a customs cap, dark glasses and a large revolver in a cloth holster. This is the last checkpoint of Israel's industrial export to Lebanon. He stamps the papers so that the bureaucracy can later figure out the taxes and the incentives, income and expenses, of what is referred to as "stimulating exports" and control of those who try to make a profit "on paper."

Daniel Eliyahu is the representative of the Ministry of Commerce and Industry. He has been here for 4 days, and this is the first time a merchant from Lebanon has come to see him about trade arrangements. Eliyahu has a price list which he explains in Arabic to the merchants from Zaharani. They write down Arab figures on a piece of paper. Eliyahu explains the order will be filled in 2 days. It has to be paid COD to the bank recently opened at the

the fence. Payment has to be made in dollars or shekels. The list includes flour, salt, sugar, rice, yeast, eggs, matches, fuel, gas and cement. No meat.

Eliyahu finishes reading the price list. Tomorrow he will have an updated list in Arabic, to facilitate communication. The merchants say things are expensive. This is what they tell Eliyahu. When I ask them they say the prices are fine. "It's like the commodity exchange," the older one explains. "One day more one day less." On the whole, he says, it's not expensive. One wonders where the truth lies. He writes down the prices and says he will come back tomorrow with the money. He needs about \$25,000 to pay for his purchases. What will he buy? He says oil, sugar and salt. Twenty-five tons.

Tens of thousands of hungry people have joined the line of potential customers of the merchants of southern Lebanon. Activity at Biranit in the form of middle-men has increased, says Eliyahu. He has met them at the fence, where they hang around, some with previous trade experience in the area, others Jews or Arabs who want to make a buck. There is a new big hungry market with many opportunities.

The business minds work at the same rate as the artillery, and it appears that at least at the first stage the old-timers have an edge over the novices. They have experience, contacts, free movement, they know the ropes, and some of them even the language. One of them is a merchant from Lebanon who buys eggs from Tnuva. He does not let us take his picture, he refuses to talk. He loads the eggs on his red Datsun pickup and when he is about to drive back to Lebanon he averts his eyes from our camera.

Efrayim, the driver who has brought the eggs from Israel knows the merchant. Until the war he used to buy one truckload per day. A load is about 14,000 eggs, says Efrayim, who multiplies the number of crates times the number of trays time the number of eggs. Since the war he has been buying two truckloads per day. Number 5 eggs. They look for cheap merchandise, says Efrayim. They pay with Israeli currency. Subsidized price, like the Israelis. That's good. These eggs will remain in southern Lebanon, Efrayim explains after a short talk with the merchant who ties the egg crates on the Datsun. Now he has new customers in Tyre and in Sidon and in all the villages along the way. Until a few weeks ago he would not have dared show his face in those places for fear for his life. Now, because of the great need for fresh eggs, he is a welcome visitor.

What will happen in the near future when the merchants from those areas, or from places like Zaharani, will look to buy eggs from Tnuva and sell them in Tyre or Sidon? Will this merchant readily give up his new market? Efrayim says it won't be easy. They will fight over it. The old-timers will not give in. They will want to make a profit. For several months it will be hard to crack the market. Cease fire or no cease fire, business will continue to be belligerent.

The new commercial flurry has reached into Israel. We saw a first sign of it in Hanita, not realizing at the time what it was. We went to see the Lebanese



merchants who did not show up in Hanita that morning. Wherever we went we were followed like a shadow by two neatly dressed men who obviously were not local. They carried briefcases and had an important air about them. When we left we offered them a ride, but they had a better car than ours. We met them again in Biranit. We suspected they were looking for the same thing we were looking for, namely, write a story similar to ours. We decided not to let them get ahead of us. At the bank we heard them ask about the merchants from Lebanon. We told them about the merchants from Zaharani, who were at the commander's office, and in return we asked them why they were looking for them. We then found out they were Israeli merchants. One of them was the owner of a zipper factory, and the other one was his salesman. They had heard about the business opportunities in the place, about the merchants from Lebanon, the encouragement of the Ministry of Commerce and Industry, and they decided to come here and try their luck.

#### Plans for the Future

Jules Bier is the name of the factory owner. He is from Kfar Shmaryahu, but the plant is in Bet Shan. He has heard they need zippers in Lebanon. He speaks English, French and a little Hebrew. The merchants from Zaharani are not too excited about zippers. Before they get around to provide zippers for well-fed bodies, they need to get food to feed those bodies. But the middlemen from southern Lebanon are forward-looking. After taking care of food there will be need for other goods. They ask about the zippers. Bier has samples, business cards and a price list. The data is passed on from the manufacturer to the middleman, who promises that he will find a suitable buyer up north so he can earn his commission. Everyone is satisfied. Bier is glad he did not come all the way up here for nothing. Perhaps the orders will arrive. A little more, a little less, the main thing is that the wheels of industry should turn.

Eliyahu says that in the 4 days he has been in Biranit he has seen several representatives of Israeli industries. Even Koor people. No business has yet been concluded, but there are plans, suggestions, and soon things will start.

Minister Ya'akov Meridor, who is in charge of coordination aid to Lebanon, said in the Knesset last week that a delegation of Lebanese businessmen will arrive shortly in Israel through the initiative of the Ministry of Commerce and Industry in order to buy consumer goods, industrial products, construction materials and pesticides for agricultural use. This indicates that big companies like Koor are getting ready to do business with Lebanon.

In the near future this trade may reach greater proportions as a result of the decision of the Ministry of the Interior to allow Lebanese merchants to stay in Israel up to 1 month in order to buy Israeli goods. This permission will only be given to Lebanese citizens and will be subject to approval by an IDF support officer in Lebanon. It will be interesting to see what Lebanese who already have such permit and are doing business here will have to say about it.

In the meantime all the merchants from southern Lebanon are saying that the merchandise they are buying in Israel is intended for Haddad's villages and for the north, for the new areas. We were told this by a merchant who was loading semena cans delivered by Blue Band Company. Eliyahu's list states that the product, a solid oil, comes in 7 kilogram cans and costs \$7.10 (including freight). The merchant's assistants explained to us the many uses of this product. It is a substitute cooking oil, or clarified butter for spreading on bread. This product raises the question whether this is war economy or a way of life. At first it appears that the demand for this product is symptomatic of war. At a time when you cannot go to the super-market every day you buy one multi-purpose product that is easy to store.

This was true until we saw trucks loaded with watermelons, ready to be unloaded. What have watermelons got to do with a wartime economy? Are watermelons essential? On second thought, those watermelons might be destined for southern Lebanon, rather than for the north.

The watermelon trade seemed strange at first. It is like selling the Lebanese the air of the Galilee. Why would the Lebanese want watermelons from the Galilee? One of the drivers from southern Lebanon explained it to us: the residents of southern Lebanon buy watermelons from Israel because theirs have not yet ripened. This shows you the distance of the war from this part of the country.

Watermelons before the season? Why not? Perhaps in 2 years--the time it took southern Lebanon to become part of the Galilee market--the merchants of the north will also seize the opportunity and we will enjoy their cherries?

The trade in fruit did not stop with watermelons. In another corner of this trade zone they are loading apricots and peaches. Eliyahu says that the southerners also buy apples. The Ministry of Commerce and Industry does not interfere with the fruit trade. This is free trade. No control. Money changes hands. Haviv Shalosh, a bank official from Nahariyah, says that until now suitcases full of money used to change hands. The merchants have not yet gotten used to the services of a bank. Opening an account and using checks seems strange to them. Interestingly, this branch opened 4 weeks ago, exactly when the campaign started, as if someone had planned on expanding trade with Lebanon.

Shalosh says that they will get used to the bank and the banking methods that came to replace bartering. Especially since future trade will greatly increase in volume, and the suitcases will be too heavy and it will not be comfortable. In the meantime the bank is used mostly to exchange money, from Lebanese liras to shekels, and from dollars to shekels.

The fuel truck arrives at noon. Destination southern Lebanon. The driver carries an Uzi. He goes to the customs official to have his papers stamped. He is no longer excited about transporting fuel to Haddad's fiefdom. He gets his escort and drives on. Fuel is not loaded on another truck. It has to be taken to the buyer's home. This has become routine... In the morning a large caravan of fuel trucks was seen going even farther north.

At the other end of the trade zone they transferred frozen fish from one truck to the other. A truck loaded with fences waited for a merchant from the South to come and unload the freight. The middlemen were huddling near the Mercedes and spoke mainly in Arabic. Eliyahu and Plemenbaum went back to Haifa. In the afternoon Shalosh will return to Nahariyah. Tomorrow is another day, another step toward trade with Lebanon. The merchants from Zaharani will return with \$25,000 and in 2 days they will have flour, sugar and salt.

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DEMOCRACY SEEN AS PREREQUISITE TO CONFRONTING ISRAEL

London ARABIA in English No 11, Jul 82 pp 8-9

[Article by Fathi Osman]

[Text]

Finally Israel has felt strong enough and free enough to carry out its expected invasion of Lebanon, to impose its plans for stability in the area according to its own interests. The Arabs have been more worried about the Iranians after defeating the Iraqis than about the prospects of an Israeli attack. The West is absorbed in the Falklands war. While the US is a full supporter of Israel, West European countries dispute among themselves and with the US. The Soviet Union is interested only in selling the military hardware it decides to sell, rather than what is requested, and in offering lip service to condemnation of Israel's expansionist aggression, which serves American imperialism in the area.

So the time was ripe for the Zionists to impose their Pax Israeli. The balance of power which the US maintains in the region keeps Israel militarily stronger than any Arab state – or even the whole Arab nation. The Lebanese could never keep the peace among their fighting factions and the Arab countries could not support a practical plan to achieve it. France repeatedly expressed good intentions with no effective action, while the present US administration underestimated the explosive situation in the Middle East.

However, the US is not worried about Israeli aggression or any Arab sufferings, as long as the oil flows smoothly out of the Middle East and the huge petrodollar deposits and investments stay in western institutions.

This is not the time for inflammatory rhetoric – the Arabs and Muslims are fed up with such words. The Arabs are terribly split and exhausted by internal disputes which sometimes flare up into military confrontation – Morocco vs Algeria, Libya vs Tunisia, Libya vs Sudan, Syria vs Jordan and Iraq, North Yemen vs South Yemen.

Some Lebanese and Palestinian groups have tried realistically to make use of these disputes for their own causes. But the result was to spread these cracks into the Lebanese and Palestinian communities themselves until national unity has become a hopeless aim, and the real cause neglected.

The way to face the Israeli aggression and its expansionist policies in the Middle East is to keep these facts in mind. An Arab unity – not in its political formalities but in its genuine moral basis and its necessary organisational forms – is essential to confront Israeli schemes. Zionist expansion is supported by the great majority of Jewish organisations and political lobbies throughout the world. The real leader should put aside personal rivalries in such critical moments, to bring Arab and Muslim countries together to confront the overwhelming danger.

If the huge material and moral resources of the Arab and Muslim countries are to be mobilised, there must be confidence between the rulers and their peoples. This cannot be achieved except through a real democratic approach. An army of slaves or oppressed men cannot win, and all the powerful technology in the world will not work without the human factor. The repression of the Shia in Iraq, of the Ikhwan in Hamah and elsewhere in Syria and Qaddafi's opponents in Libya are horrible wounds in the national body and spirit. They leave the nation too weak to fight until victory, under the leadership of their oppressors.

Menachem Begin – for all his poor health and his ugly political image among many Israeli citizens – survives political crises and holds on to a minimum of respect, by sticking to democracy in Israel, even if it is a democracy for the Jews only, and one which favours the Ashkenazim. Establishing real democracy in

the Arab and Muslim countries would take some time. Israeli aggression must be faced now. Nevertheless, if we are serious about mobilising the Arab and Muslim peoples against this threat, a genuine approach towards the people as a whole should start at once.

The Palestinian cause, for which all Arab and Muslim resources should be reunited, does not assume infallibility for any Palestinian organisation in its policies or plans. Criticism of a Palestinian militant organisation is not a betrayal of the Palestinian cause itself, and no wise person should be inhibited from offering sound advice. Any policy-makers can make mistakes in their strategy or tactics, and if all the Arab and Muslim peoples have to contribute to the defence of the Palestinian cause, then they should be able to put forward their opinions. A Palestinian movement cannot survive for long by flattery or intimidation. It is less risky to face open criticism every day than to alienate the Arab and Muslim peoples by making mistakes and forbidding criticism. Mass suicide cannot be considered constructive effort to promote the cause, or even as real martyrdom.

The promised democratic Palestinian state would seem more likely if those who fight for it stick to democracy in all their political activities, and listen to criticism. The policies of any government – not only of a militant group – can be criticised objectively in another country without the critic being accused of interference in internal politics. Such an argument is usually just an excuse for dictatorial regimes to cover up their mistakes.

Objective criticism and constructive opinions from every reasonable man or woman in any part of the world should be welcome by Palestinian organisations.

The US insists on continuing its full support of Israeli aggression. It demonstrated this in vetoing the Security Council's condemnation of Israel and in excusing Israel's invasion as "self-defence." Nevertheless, the Arabs and Muslims are not invited to fight the US since

this may be futile.

In calling upon the West European countries to withdraw credit facilities from the Soviet Union and Eastern Europe on the grounds that these facilities are used in building up the Communist war machinery and aggression policies, President Reagan has put forward a good plan. Arab and Muslim countries should adopt it. They are not invited to withdraw their huge investments from the international market, but to use them according to a certain plan in Arab and Muslim countries or in any country with which they have friendly or neutral relations. Similar plans may be adopted, for instance, in various economic fields, particularly imports.

The international market is so wide and is not limited to the US, and economic and technological merits are found in other highly developed countries such as Canada, West Europe and Japan. Other countries such as South Korea, some countries in Eastern Europe, and China are moving rapidly in their industrial and commercial activities.

Sometimes we seem so anxious to get all the benefits of recent US technological developments ... should we not look to what may satisfy our real needs, even if it is less sophisticated? In this way we can maintain our economies, along with our dignity and political interests.

The Israeli invasion of Lebanon may be a final rallying point for Arabs and Muslims to work for survival and to make use of their extensive material and moral resources in defending themselves and building their countries: "O you who have attained to faith: when you meet a host in battle, be firm and remember God often, so that you might attain success. And pray heed unto God and His Apostle, and do not allow yourselves to be at variance with one another, lest you lose heart and your moral strength desert you. And be patient in adversity, for verily God is with those who are patient in adversity." (8/45-46) "If you support the cause of God, He will support you and will make firm your steps."

PROMINENT WEST BANKERS DISCUSS RESPONSE TO U.S. MIDEAST POLICY

Jerusalem AL-BAYADIR AL-SIYASI in Arabic No 10, Jan 82 pp 11-13

[Text] The increasingly hostile attitudes adopted by the United States toward the Palestinian and Arab peoples have become a matter of Arab street talk. The questions asked these days are: Why aren't decisive practical measures taken against the American administration and are the Arab peoples able to do so? What are the obstacles that prevent such measures from being implemented? Observers believe a continuation of the current Arab position of indifference, weakness, and conciliation encourages the United States to take a succession of new hostile steps. If this nation does not rise up and assume its responsibilities, it will awaken one day to find the entire Arab homeland under actual American domination and colonialism will return anew to its peoples.

AL-BAYADIR AL-SIYASI met with a number of prominent persons from the West Bank and Gaza Strip to discuss the increasingly hostile American attitudes. They were in agreement as to the need to end the hostile American policy and seriously threaten its interests.

Bassam al-Shak'ah, mayor of Nablus, discussed the situation saying: The escalation of American hostility and the military maneuvers that the United States carried out under operational rules and its shameful attempt to disavow the decision to annex the Golan Heights cannot be separated from the strategic cooperation agreement between it and Israel. Israel does not take a step without American consent. Verbal American opposition is merely a maneuver to enable it to toy with Arab attitudes in a way that serves the interests of this strategic agreement. Washington wants to get out of the thickets. This constitutes the peak of the challenge and the game of politics always belongs to the possessors of power and impudence. The Arabs must realize this. These American attitudes and maneuvers require the Arabs to resist them and take serious and practical steps against the United States, which has vast interests in the Arab homeland.

Lawyer Karim Khalaf, mayor of Ramallah, comments: It is no longer a secret that the United States has been a participant in the struggle going on in the area as well as a basic adversary of the Arab nation. The hostility is directed not toward the Palestinian people alone but toward all the Arab peoples. The best way to answer American aggressions is not by sanctioning its

shortcomings and (manipulations) but by informing the United States that its interests are in serious danger, as a leader of imperialism for what will pain it is to threaten these interests and strike at them. In an article published in AL-BAYADIR AL-SIYASI, I called upon the Arab nation to strike at American interests throughout the Arab homeland. It is a sound and quick way to answer its escalating hostility.

Ibrahim al-Tawil, mayor of al-Birah, says the inability of the Arab states to adopt a united position vis-a-vis the American threats is considered a tragedy for the Arab people for which the rulers who are linked to the United States and carry out its policies are to blame. The successive hostile attitudes on the part of the United States makes it necessary for the Arab peoples to strike at American interests. The dangers confronting the Palestinian people also threaten all the peoples of the Arab nation.

Al-Hajj Rashad al-Shawa, mayor of Gaza, says we are living here a true tragedy for the Arab nation. Let us wish for this nation that it meet its responsibilities. Its failure to meet its patriotic responsibilities gives an opportunity to its enemies to achieve their goals. As long as the United States insists on continuing its hostility, what we must do now is pressure it to halt its aggressions. That can be done by threatening its major interests in the Arab homeland.

Hilmi Hanun, Mayor of Tulkarm, says the Arab states must not hope for anything from the United States because it is the source of the misery in which we are living and threatens the Arab nation. It also insists on continuing its hostility, and the attitudes it adopts clearly demonstrates and confirms that. This openly hostile American policy makes it incumbent on the Arabs to make a bold decision that will provoke a strong reaction in American circles. This decision is to strike at American interests in the Arab homeland.

Al-Hajj Amin al-Nasr, mayor of Qalqilyah, says the practical response to the American provocations is to strike at American interests in the Arab homeland. This is a sound way to force the United States to halt its aggressions and acknowledge the rights of the Palestinian and Arab peoples. Al-Nasr affirmed that Arab weakness is the main cause of the successive American aggressions against the Arab homeland.

Haidar 'Abd al-Shafi, president of the Palestinian Red Crescent, says: "The United States continues its hostility to the Arab nation, as has now become increasingly clear. It is certain that Arab weakness and inability to take a decisive stand against this hostility is the reason why Washington continues it. The provocations, military maneuvers, strategic cooperation agreement, and continued denial of Palestinian rights by the United States makes it incumbent on the Arab nation to strike at American interests scattered over the Arab homeland. This is what will pain the American administration and curb its aggressions."

Wahid al-Hamdallah, mayor of 'Anabta, comments: "The practical response to American aggressions and provocations is to confront and resist them in practical ways. The United States persists in its sins and provocations because

of Arab impotence and weakness. What we need at this decisive moment is to force the United States to change its mind by striking at its interests in the Arab homeland."

Muhammad Musa 'Amr, mayor of Dural, says that continued disregard of the rights of the Palestinian people and American plotting against them and intensification of its hostility to the Arab nation demand that the Arab nation oppose the American administration and strike at its interests in the Arab homeland.

'Ali al-Mukharizah, president of the elected Qarwa al-Zahiriyah council, says: "Reacting decisively to American intimidation is the only sound way to achieve a just peace in the area. This reaction must be painful to the American administration, and it will occur only after American interests in the Arab homeland are attacked."

Lawyer Sa'id 'Ala' al-Din says Arab unity on a practical and clearly defined position guarantees that American provocations will end. "I believe this reply should be dealing an effective blow to American interests in the Arab homeland."

George Hazbun, deputy mayor of Bethlehem, says American contentions are reflected in continued hostility to the Palestinian people from many directions, provocation of the Arab peoples, spreading of military bases over Arab land, instigation of isolationist and reactionary forces in Lebanon, and the previous backing and support of Israel--this is just a small part of the series of hostile American actions that makes it incumbent upon the steadfastness and resistance front to propose a fighting program, with reliance on the constant and firm ally of the Arab people, the Soviet Union, to confront American schemes. This is in addition to the need to strike at American interests--resources and treasures--spread all over the Arab homeland.

Pharmacist Isma'il al-Taziz, a pharmacy union leader in the West Bank, says that a decisive response to increasing American hostility is to seriously threaten its interests in the Arab homeland and that the Arab states' waiting without making a practical response encourages a continuation of hostile American actions.

Dr 'Abdallah Sabri, president of the Jerusalem branch of the Physicians Union, says: "We must cling to our rights and not conclude a truce (in the struggle) for our rights. As long as the United States denies these rights, plots against them and continues its aggressions to wipe them out, acts arbitrarily against the Arab peoples, and seeks to dominate them, what we must do is make a bold Arab decision to put an end to American hostility in the Arab homeland not to preserve it. The Arab weakness of which we are aware is the main reason for the continued hostility of the American administration to the Arab nation."

Hisham 'Abduh, Patriotic Bloc member of the Jericho municipal council, says: "What we must do is make a bold Arab decision to put an end to American hostility in the Arab homeland, not to preserve it. The Arab weakness (of



which we are aware) is the main reason for the continued hostility of the American administration to the Arab nation."

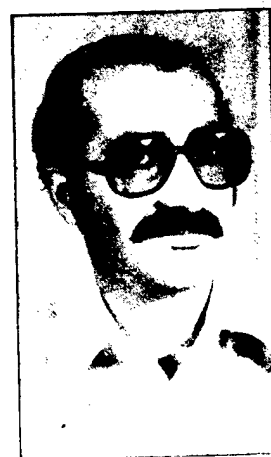
Lawyer 'Abd al-Rahman al-Natshah, administrative director of the Hebron Engineering and Technical College says that taking practical steps to confront the increasing American provocations is something we should have done many years ago. The Arabs' failure to respond to this hostility means more provocations and aggressions. In this time of decision in which the Arab homeland is living, the practical response that must be made quickly is to strike at American interests in the Arab homeland.



Bassam al-Shak'ah



Karim Khalaf



Ibrahim al-Tawil



al-Hajj Rashad al-Shawa



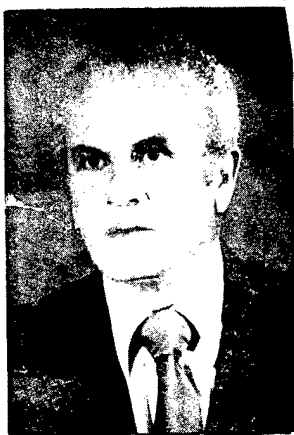
Hilmi Hanun



al-Hajj Amin al-Nasr



Haïdar 'Abd al-Shafi



Wahid al-Hamdallah



Muhammad Musa 'Amr



'Ali al-Mukharizah



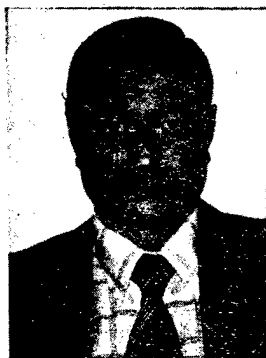
George Hazbun



Isma'il al-Taziz



'Abdallah Sabri



Hisham 'Abduh



'Abd al-Rahman al-Natshah

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CSO: 4404/310

## INTER-ARAB AFFAIRS

### FIRST PLAN FOR ARAB JOINT ECONOMIC ACTION ENDORSED

Khartoum SUNA in English No 4178, 6 Jul 82 pp 4, 5

[Text] Khartoum, July 6 (SUNA)--Undersecretary of Planning in the Ministry of Finance and Economic Planning 'Uthman Mustafa yesterday discussed with the visiting Arab league delegation a draft on Sudan's projects and explained to the delegation the economic plans of Sudan as well as the economic bottlenecks currently being sustained. The draft will be presented to the Arab Economic Council later on, SUNA learnt.

On its part, the visiting delegation which is led by Dr Ibrahim Ibn-Barakah, director of the first plan for joint Arab economic action, explained its mission and the background governing the nature of the joint Arab economic action.

The first plan for joint Arab economic action during 1981-85 was endorsed by the 11th Arab summit in Amman, Jordan, November 1980. The financing countries of Kuwait, Iraq, Qatar, the United Arab Emirates and Saudi Arabia pledged to pay 500 million dollars each year for 10 years with 1% interest rate redeemable in 20 years with a 10-year period of grace, SUNA learnt.

The plan endorsed some projects of the Sudan with a volume of investment amounting to \$3354 million and constituting 20.7% of the size of development in the Arab world. The greater part of the plan had been dedicated for food security projects, SUNA learnt.

The Arab league delegation arrived here Sunday and will leave Thursday, July 8, SUNA learnt.

At an earlier time the Undersecretary of Planning formed a committee to study and propose some Sudanese projects within the frame of the said plan.

The report of the committee contained 24 projects in the agricultural sector at 1.6 billion dollars. Projects in the fields of transport, communication, water and electricity were also proposed by the committee at a cost of \$604,989,000. As to the field of health, education and literacy education, the committee suggested a number of projects costing \$802.5 million.

The committee's report also recommended the establishment of some projects like the Arab League Agency for strategic stock and the Arab Railways Institute. It also recommended that the plan takes into consideration the bridging of the finance gap by redressing the expected restoration in the balance of payments during (1981-1985) which is estimated at \$3.8 billion. According to the committee this could be resolved by providing \$500 million each year, SUNA learnt.

CSO: 4500/243

AREA TOURIST PACKAGE PLANNED

Manama GULF MIRROR in English 10 Jul 82 p 1

[Article by Philip Moore]

[Excerpt] **THE first four-state tourist package for the Gulf seems likely to be launched in the winter, a result of top level meetings between Gulf Air and British Airways (BA) in London this week.**

BA is the first airline to attempt a package deal covering the entire Gulf, rather than the 72-hour stopovers in individual states already being promoted by other airlines.

This week BA and Gulf Air agreed to approach ministers and directors of tourism in Oman, Bahrain, Qatar and the UAE to attend a series of meetings in about two months to finalise and hopefully, organise the project.

"The whole package would be done jointly between Gulf Air and British Airways," managing director of BA's Intercontinental Division, Mr. Gerald Draper, told the Gulf Mirror from London this week.

"BA was very happy with the meeting. We jointly agreed to hold the meeting with the tourism ministers and directors in a few months, either in Bahrain or London."

This is seen as an agreement in principle between Gulf Air and BA to go ahead with the Gulf-wide tourism package, providing the representatives of tourism in the four states which own Gulf Air have the facilities ready on the ground.

"We have to hold this meeting inside a few months so we can launch the package for the winter market," said Mr. Draper.

"What we have to do now is make sure we handle the education process correctly here in Britain.

"We have to educate the people up here to want to take their holidays in the Arab world. We don't see that as a problem."

### Proposal

Mr. Draper believes the interest in going to the Gulf is there for the tapping — is just needs a bit of a push.

Mr. Draper unveiled his proposal in Bahrain recently where he attended BA's 50 years in the Gulf celebrations.

This week's meeting, tantamount to confirmation, he says, is the biggest vote of confidence the proposal has had.

CSO: 4400/394

## AFGHANISTAN

### REGIME CULTIVATES RELIGIOUS HERITAGE OF PEOPLE

Kabul ANIS in Dari 20 May 82 p 2

[Text] Maulawi Abdol-Rashid, the preacher of the Shirpur Grand Mosque who says he has served with dedication at the center for the past 3 years stated the following as maintenance work was going on at the central grand mosque of Kabul:

Following the splendid Sawr Revolution, particularly its new and evolutionary phase, the government of the DRA has had deep respect toward the foundations and observances of Holy Islam and has supported the observance of religious rites to a fine degree.

He added: The Shirpur grand mosque consists of spring and winter sections, with the latter section able to accommodate 3,000 worshippers while more than 1,000 people can pray in the spring section at one time.

The winter section of the mosque is heated during the cold season with a firewood burning furnace.

The ablution section of the mosque is fully equipped. In addition to piped water, an electric pump supplies adequate water for our needs from a deep well.

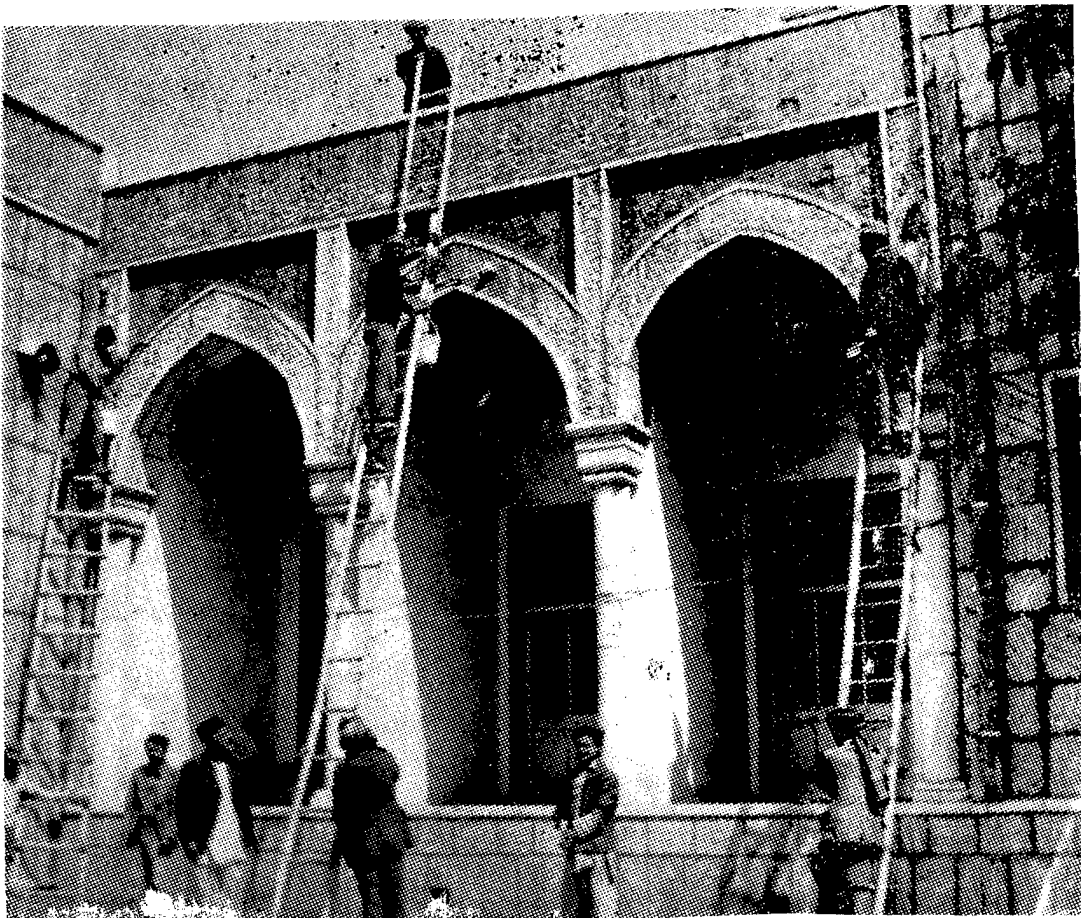
More recently, in addition to the regular help provided by the government, the Directorate of Mosques of the Office of Islamic Values decided to have major repairs and painting of the mosque done at government expense, thus adding to the appearance and beauty of the holy place.

Up to now 50,000 afghani has been allocated and renovation work has started in earnest.

It must be mentioned that from 2 to 4 memorial services are held at the mosque each day, with thousands of devout Muslims taking part in the prayer offering.

We wish to express our gratitude and appreciation for the DRA government's practical help in the observance of the religious rites and practices of the Muslim people of Afghanistan and pray to the Almighty to grant them more success in serving our Muslim and toiling people.





The large Shirpur general mosque being repaired and painted.

Maulawi Abdol Rashid, the imam of the Shirpur Mosque



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CSO: 4665/27

## AFGHANISTAN

### PLIGHT OF AFGHANS IN PAKISTAN CAMPS DESCRIBED

Kabul ANIS in Dari 13 May 82 p 4

[Text] Detailed news and indisputably accurate reports describe the living conditions of the Afghan refugee women, men and children in Pakistani camps as terrible and tense, with the refugees facing great difficulties and hardships.

The refugees in Pakistani camps lack proper living quarters. The absence of hygienic conditions, scarcity of drugs and medical facilities, as well as the incidence of contagious and fatal diseases and similar hardships which beset camp residents on a wide scale has subjected them to the worst kind of psychological and physical suffering, even resulting in a number of terrible fatalities among them.

It appears from the reports that the prevailing horrendous and painful conditions day by day increase pessimism, cause anger and alienation between the Afghan refugees and the heads of criminal brigand bands directly supported by the Pakistani militarist regime, even triggering strong anger and hatred by refugees against the leaders of robber groups. At the same time, the robber group leaders in Pakistan have not properly distributed among the refugees the goods and aids they receive from imperialist and Pakistani militarist forces, but rather misuse them for their own fun and frolic, creating Croesus-like lifestyles for themselves. These obvious criminal activities regularly increase the strong reaction of the refugees against the heads of the brigand bands.

For example, sometime ago Maulawi Mohammad Nabi Mohammadi received a large sum of money from imperialist countries as help for Afghan refugees. He spent 2.5 million dollars of it for his personal use, causing disgust among members of his band as well as among other brigand leaders. Even Pakistani newspapers were unable to refrain from reporting the matter.

Moreover, Gulbuddin Hekmatyar, on his return from Arab countries where he had gone for aid, was found with a lot of contraband gold when Pakistani police searched his luggage, thus once again the curtain was raised to expose his criminal and brigandage activities. This has caused widespread reaction among Pakistani camp residents and representatives of various robber groups.

Thus, dispute and pessimism between various criminal and brigand groups increase day by day, leading to violent fights between them.

Another news reports says 5,000 Afghan refugees, composed of individuals from the Hekmatyar, Harkati and Hazrati groups marched from Camp Raghegan in Salarzibajur to the Bajur bazaar where they joined the group of Amanollah son of Haji Mosafer (resident of Badil Konar of the Safi tribe) and together proposed to the political agent that if the Pakistani government is unable to meet their minimum wants or to protect them from hunger and death "we should be allowed to return to our homeland Afghanistan to resume our peaceful life."

However, the Pakistani militarists and the dollar-and-guilder mercenary criminal brigand heads effectively prevented their return and want forcibly to arm the Afghan refugees and send them to Afghanistan as well as India to destroy and kill in order to realize their satanic and dirty goals.

To achieve this, brigand heads in Pakistan resort to force, threats and trickery to send youth between the ages of 16 and 40 [sic] to Afghanistan on missions of destruction as a means of realizing their criminal goals. Those who refuse to cooperate are subjected to threats and torture by the murderous terrorist bands or meet their fate in the terrifying dungeons of the Pakistani militarists.

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CSO: 4665/26

## BRIEFS

GAS TO YUGOSLAVIA--Algeria has signed an agreement with Yugoslavia by which the latter will import quantities of natural gas starting at 50 million cubic meters a year and rising gradually over 3 or 4 years to 1.5 billion cubic meters a year. The natural gas will be pumped to Yugoslavia through the Italian pipeline network that will tie in to the natural gas line across the Mediterranean that links Algeria with Italian soil across Tunisia. Yugoslavia will tie its pipeline network into the Italian network at Nova Gorica. The quantity of gas exported to Yugoslavia is limited to 50 million cubic meters a year during the first stage because of the limited capacity at present of the Italian pipeline network. This network will be expanded in the future to increase its capacity to handle Algerian gas which may be distributed from there to other European countries. The Algerian-Yugoslav agreement on gas exports will decrease Yugoslavia's dependence on Soviet energy exports and, consequently, will reduce the pressures of demand for Soviet oil and gas from the Socialist camp. This is something the Soviet Union has been trying to accomplish for some time in order to free up increasing quantities of its oil resources for export to the West in return for hard currencies. [Text] [Paris AL-MUSTAQBAL in Arabic No 277, 12 Jun 82] 8389

NEW FINANCIAL POLICY--Algeria recently adopted fiscal measures to increase the amount of dealing in bank checks to make payments in connection with business and consequently to reduce the amount of private individual currency savings by reducing the amounts of banknotes in circulation. The measures are also aimed at helping the proper authorities to monitor the fiscal policy in effect in the country. They involve the following: 1. Requesting public departments and institutions to pay the cost of all deals and to transfer balances, loans and appropriations by using bank checks. Exempt from this is the payment of salaries and wages less than 2,500 Algerian dinars (\$550) and current expenditures less than 1,500 Algerian dinars (\$330). 2. Requesting public departments and companies to accept checks or transferred sums up to any amount. 3. Requesting public companies to pay any amount in excess of 2,500 Algerian dinars (\$550) to departments and institutions of the public sector by checks or remittances in anticipation of the issuance of checks and drafts by public departments and companies for sums less than 100,000 Algerian dinars (\$22,000). In accordance with the new policy, tourists arriving in Algeria are required to exchange the equivalent of 1,000 dinars (\$220) worth of foreign currency when they enter the country. However officials and workers employed in foreign companies working for the government are not subject to this measures. [Text] [Paris AL-MUSTAQBAL in Arabic No 277, 12 Jun 82] 8389

FUTURE OF OFFSHORE BANKS EXAMINED

Manama GULF MIRROR in English 26 Jun 82 p 21

[Article by J. Havelock-Davies]

[Text]

WHAT does the future hold for Bahrain's offshore banks?

The Bahrain market has recently been described as "over-banked", "peaked-out" and despite its rapid growth, its prospects of becoming a world money centre are shrinking, according to one influential banking journal.

The prime threat to Bahrain's importance as a banking centre is seen as stemming from Saudi Arabia in the form of increased competition from the Saudi-ised banks. But assessments of the extent of the threat in Bahrain vary from resignation in the face of the inevitable to the bluntly dismissive.

What is not disputed is that Saudi Arabia is vital to the continued health of the Bahrain market with many OBUs estimating that 70 to 80 per cent of their business originates there.

Bahrain bankers accepting the eventual ascendancy of the Saudi banks do, however, see it as a gradual process as at present they lack both experience and trained personnel.

### Liquidity

And others point out that despite their natural advantages — they are sitting on the money supply rather than at one remove from it — the Saudi banks are very much restricted by articles six and eight of the banking regulations which lay down stringent reserve requirements and limit the amount of business the banks can do with any one customer.

There is also, it would appear, little immediate prospect of a market for riyals inside Saudi Arabia, so for at least the foreseeable future Bahrain will continue a major regional role in enabling Saudi customers with excess liquidity to put their riyals to work in an interest-orientated environment.

But the importance of the riyal market varies from bank to bank with some more heavily-committed in this direction than others. Where the Saudi-ised banks are likely to make most impact is in the form of increased competition business in syndicated loans and guarantees.

Despite Bahrain Monetary Agency (BMA) efforts to promote Bahrain as an international money centre, banks are following the world trend away from sovereign-lending towards the corporate borrower.

Lending is, therefore, likely to take on a more regional character — a loan for a British contractor with a Saudi contract, for example, would normally be regarded as a British risk, as the ultimate recourse would be in Britain.

One banker thinks that Bahrain will only continue to thrive as long as the big construction contracts last and as the effects of the oil glut work their way through, these contracts could dry up within a year.

Competition for loans business is already fierce with some Arab banks lending at finer margins than others consider wise. Certainly, the struggle to make profits and find new business is causing some banks hitherto unencountered difficulties.

However, the continued viability of the Bahrain offshore market — like the end of the world recession —

probably depends as much as anything on continued high U.S. interest rates which are depressing world trade.

Although world demand for oil is showing signs of a slight increase — Saudi output after dipping below 6 million barrels per day (BPD) earlier in the month has now edged back towards the 7 million BPD mark — this is probably a seasonal response as consumer countries begin to buy in winter stocks. Without a major turnaround in the U.S. economy to stimulate world trade and the demand for energy, sales are likely to remain sluggish.

### **Ride out**

The need for Gulf states such as Kuwait and the UAE to fund budget deficits over the coming year from reserves, is likely to slow the

overall pace of development in these countries in the short term.

The Saudi Arabian Monetary Agency has forecast a balanced budget for 1982-83 and no curtailment of development spending. Given the size of Saudi reserves, estimated at \$150 billion, it is probable that they can ride out the current recession unaffected. But even so, spending on major infrastructure projects is scheduled to slow down during the current five-year development plan.

Without fresh stimulus from elsewhere, and given Bahrain's dependence on Saudi Arabia, it is pertinent to ask how long the Bahrain offshore market can remain immune to the pressure already affecting the rest of the Gulf.

**J. HAVELOCK-DAVIES**

CSO: 4400/399

## BANK EXECUTIVE SPEAKS AT LONDON CONFERENCE

Manama GULF MIRROR in English 3 Jul 82 p 21

[Article by J Havelock Davies]

[Text] **IN A MAJOR** speech to the Arab Banking Association's first conference, Mr Abdulla Saudi, president and chief executive of the Bahrain-based Arab Banking Corporation, dismissed the popular formula attributing the development of the Eurocurrency market exclusively to Opec surpluses.

Mr Saudi argued that although Opec surpluses were closely connected to the growth of the Eurocurrency market, its original development owed more to U.S. monetary policy in the 1960s.

Formed in 1980, the Arab Banking Corporation has swiftly assumed a prominent position in the Euroloans market and has laid claim to a leading position among the world's top 500 banks.

Mr Saudi's speech — made in London at the beginning of this month — must be regarded by the international banking community as a statement of intent by Arab bankers in general to increase their market share and their range of services and further extend direct Arab control of Opec financial resources.

The speech was widely reported in the world press but the Mirror is able to publish the following highlights in

what is the most comprehensive coverage available to date.

□ □ □

“I would like to make a few observations on the question of the Opec surplus, as the development of both Arab banking and the Eurocurrency markets has been closely connected with this issue. Neither, however, as I will try and explain, is a direct dependent of the Opec surplus as popularly formulated in the aftermath of the first major oil price adjustment in 1973/74.

“Although during the last decade the Opec surplus was pinpointed by popular opinion as the cause of money market instability, no one has been consistent as to its magnitude. For instance, in the summer of 1980 a leading business magazine made an assumption of an exponential growth of the surplus to reach \$1,176 billion by 1985, but by March of this year, according to the same magazine, the graph had turned 90 degrees clockwise to record a zero surplus by 1983.

“Interestingly, in both instances, Opec is blamed for any perceived dislocations in the world's economic order.

“In the first scenario it is guilty of bringing too much

liquidity onto the market, threatening international stability and causing havoc with foreign exchange markets through constantly chasing strong currencies; In the second scenario, when many of the Opec members are finding their current account under severe pressure and are suddenly short of revenues to fund their ambitious development schemes, the market immediately starts questioning their creditworthiness for prospective borrowing.

“There is no doubt that the Opec surplus is given an exaggerated importance which at the same time minimises the other dramatic changes in the world economic order: the abolition of the gold standard, the introduction of floating currencies and, more recently, the conversion of a good part of the industrialised world to monetarism ...”

□ □ □

“In my opinion, the most common source of confusion concerning the Opec surplus stems from a failure to distinguish between the annual flow into the international markets of cash derived from oil sales and the accumulated volume of funds that the oil

exporting countries have deposited in these markets.

"The Opec surplus is an abbreviated title for Opec countries' combined current account surplus. To that extent there is no arguing with talk of a net surplus for 1980 of plus \$106 billion or of a possible net Opec deficit for 1982 of minus \$15 billion.

"But this kind of accounting fails to show the significant amounts invested by both private and public sectors and also the reinvestment of income on previously deposited surpluses.

"Most importantly, while economists, bankers and journalists continue to concentrate on the annual volatility of Opec revenues and on the liquidity problems that these are supposed to create on the international markets — too much or too little — they fail to acknowledge that Opec countries have steadily accumulated some \$400 billion gross assets.

"Even in 1982, which may well turn out to be an overall deficit year, Opec countries still have these \$400 billion worth of foreign assets.

"Sometimes one cannot understand the reaction of some bankers to Opec countries' need for borrowing just because annual oil revenues started to decline. Serious questions are asked about the credit-worthiness of Opec countries that ignore not only these \$400 billion worth of accumulated assets but also all the oil that's left in reserves ... Oil has to be seen as better collateral than many of other assets we normally accept as security for our loans..."

□ □ □

“Although the creation of (the Eurocurrency) market is often attributed to Opec and Opec is blamed for its performance, it is only fair to put the record straight.

"It was not the Opec surplus but U.S. monetary policies of the 1960s, particularly

the interest Equalisation Tax, restrictions on foreign lending and Resolution Q of 1969 setting a ceiling on U.S. domestic interest rates which lead to the creation of the Eurocurrency market.

"However, the conditions of the Euromarkets clearly suited the demands of managers of the Opec surpluses for liquid dollar placements.

"During the 1970s the Eurocurrency market undoubtedly eased the recycling of Opec funds; national banking structures would have proved too regulated to assimilate the volume of funds without bottlenecks. But since the modest beginnings of the Eurocurrency markets in the 1960s, there has been little recapitalisation of the banks operating within it. As a result of the inflationary effect of Western governments' helpless response to oil price adjustment, there has been a marked erosion of many banks' assets to capital ratio.

Since 1979 Arab banks, whether government or privately-owned, have become more actively involved in the continuing growth of the Eurocurrency markets. They have added considerably to their capital base attracting a large volume of funds deposited in these markets.

And if, as it seems likely to me, liquidity in the international market continues to decline over the coming years, Arab banks which have effected an increase in their capital base will be in a better position than many to attract deposits for the very reason that their capital structure will look far more secure than that of banks which have failed to restructure their capital ..."

□ □ □

“The first sign of Arab banks emerging on to the international market came in the late 1960s with the formation of European-Arab consortia banks in Paris and Brussels ..."



## BAHRAIN

### BRIEFS

BAPCO MANAGEMENT-WORKERS COMMITTEE--Manama--Bahrain Petroleum [BAPCO] workers will hold an election on September 1 to elect their representatives at the Management-Workers Joint Committee. This will be the second committee on the islands. The first such committee was set up at Aluminium Bahrain in June. The committees provide a forum at different levels in companies and can tackle all matter of interest including pay and production. The committee will have 10 members--five nominated by the management and five elected by the workers. The workers' representatives will be elected by the poll in which all employees including expatriates will take part. There will be three representatives from the refinery, one from the Sitra wharf and Deum plant and one from Awali. Meanwhile, a 25-member election committee comprising workers from all the departments has been set up to arrange the poll. A timetable has been drawn up and senior executives have been briefed on their roles. [Excerpts] [GF291218 Dubayy KHALEEJ TIMES in English 29 Jul 82 p 11]

CSO: 4400/398

GOVERNMENT PRESSES ON WITH OIL DEALS

London IRAN PRESS SERVICE in English No 80, 15 Jul 82 pp 3-5

[Text] Iranian oil minister Mohammad Gharazi has had good success in selling Iranian crude at spot market prices. Reliable sources report that two American independent oil firms have bought some quantities of Iranian crude at prices ranging from \$30 to \$31.50.

One report said that Coastal States Marketing, which operates for Coastal Corporation, towards the end of June bought an undisclosed quantity of oil from dealers who sell oil on behalf of Iran. The buyers said the price of the Iranian crude was too good to be overlooked but they did not say how much it was. No accurate information was available about a second American company which is said to have bought oil from Iranian dealers.

Because of the intensity of feelings against Khomeini and his regime in the United States, observers say, American oil firms are reluctant to buy Iranian crude unless prices are very attractive. Even then, the hostages usually criticise such buyers and campaign against Iran's regime. This has deterred many U.S. firms from buying oil from Iran despite President Reagan's move last January to revoke the trade ban against Iran.

The Tehran mullahs have a front company in Switzerland which sells Iranian crude on the spot market. The company takes one dollar per barrel in commission which, according to sources in Iran, it shares with the leaders of the Islamic republic.

Some Iranian businessmen connected with the mullahs also act as dealers selling Iranian crude. One such dealer, who has an office in London, was offering Iranian crude at 50 cents below spot prices to this correspondent. This dealer's brother in the United States is acting as a trader and commission salesman selling oil in exchange for various pharmaceutical items which are badly needed in Iran. Informed sources believe that similar agents are active in Italy, Spain, Germany, Turkey and Dubai. They are the new rich of the Islamic regime.

These dealers make enormous profits not only on the commission they take on selling oil but also because they operate as importers in Iran and as black market exchange dealers. One dealer who bought medical goods for sale in Iran

was paid twice as much as the official rate of exchange when the Iranian firm paid in local currency.

Because the mullahs have purged all the accountants and comptrollers of the National Iranian Oil Company it is difficult to determine exactly how much oil is exported. Opposition sources say that at least 10 per cent of oil which is exported is never registered in official books and its proceeds are used for payments to dealers, mullahs and terrorist organisations.

Gharazi, who is a nephew of the assassinated Ayatollah Beheshti, seems determined to increase exports to at least 2½ million barrels a day. He will obviously seriously impair Iran's relations with OPEC if he insists on this point, especially now that world demand is low. The only obstacle to Gharazi's plan at the moment seems the shortage of qualified technical staff to bring about an increase in production.

Saudi Arabia is determined not to allow Iran to cut OPEC prices or to undermine OPEC unity. So, it may consent to an increase in Iranian oil exports. But on the other hand the Saudi authorities are concerned over the fact that the mullahs seem to have no scruples in using oil revenues to finance terrorist activity in the regional countries.

At the OPEC ministerial meeting in Vienna last week, Gharazi made it clear that the mullahs' regime would not abide by the organisation's quota system unless Iran's quota was raised. He even said that Iran would not abide by the OPEC pricing system if she were forced to sell oil on spot market.

It is interesting that the mullahs do not discuss their oil sales in the domestic press. At home they usually say that they use oil as a political weapon against Western imperialism.

Tehran radio this week accused the Saudi government of attempts to undermine the unity of OPEC. Quoting unnamed agencies the radio said that the Saudis had announced they were no longer adhering to production and price ceilings agreed by the ministerial meeting.

At the end Gharazi held a press conference in which he made a strong plea for upholding OPEC's unity and decisions. It was then that in Tehran the mullah-controlled media began an orchestrated attack on Saudi Arabia.

The mullahs have not mentioned the fact that the OPEC meeting in Vienna was held precisely because Iran and one or two other countries had overstepped their production quotas and were selling oil at prices below the \$34 a barrel mark which OPEC agreed on last March.

Already opposition groups abroad and inside Iran have alleged that Iran's theocratic regime was out to destroy OPEC because Khomeini was brought to power by the oil cartels. Monarchist groups in particular have often claimed that the revolution which toppled the Shah was engineered by the oil cartels because the Shah was the most important architect of OPEC.

Whatever the reality may be, at the moment a great number of Iranians, especially at home, firmly believe that Khomeini is a creation of the British oil giants and that he was planted in the Shia hierarchy by the former Anglo-Iranian oil company.

The mullahs have not directly replied to this widespread propaganda that Khomeini is a creature of oil cartels; what they are trying to do now is to say that the Saudis are, in fact, agents of the oil companies.

CSO: 4600/683

# DISPUTES BETWEEN MULLAHS, TECHNOCRATS INTENSIFY

London IRAN PRESS SERVICE in English No 80, 15 Jul 82 p 6

[Text] Signs of new friction between Iran's technocrats and the mullahs have been growing in recent weeks. The mullah's interference in all branches of government and industry is leading to new disputes, reports from Tehran say.

"The mullahs just have to keep their noses out of the executive side of business and other affairs if they are to be carried out efficiently, the technocrats believe," an informant in the Iranian capital told IPS. "They feel they can handle the essential trade and other matters effectively if they are left to utilise their skills unhindered."

A report on Majlis proceedings in the Tehran daily Kayhan last week revealed a dispute between the mullahs and the technical staff at the big machine tools factory in Tabriz. The ministry of industry replied to a question from a deputy on why the whole of the technical staff had been dismissed.

It appears that the Islamic association at the factory, which was originated by the Czechs and later run by West Germans and Iranians, decided that though it was designed to produce lathes and other tools, it could actually produce gear boxes for Paykan cars. This, the association felt, would help make the country more self-sufficient.

The minister told the Majlis, however, that in spite of the fact that the factory's technical staff were told they must do this six months ago nothing had, in fact, been implemented. Two weeks ago further checks were made and it was found gear boxes were still not being produced. The management continued to insist the factory was made for producing tools.

But the minister continued, the Islamic association was adamant gear boxes should be made or the management sacked. So the sackings were ordered.

There were also complaints during the session that ministries and other departments made promises and regulations but rescinded them at will. The deputies said people like families of martyrs were told legislation was being made but little publicity was given to the fact that there had been a change of mind. Thus people going to obtain what they thought were their rights turned up only to be told they had missed the cancellation of the relevant order.

Sources in Tehran have reported that there has already been considerable unrest in Khuzestan over attempts by the authorities to raise money from the refugees and others who had been away from their properties for some time. Sizable electricity bills, for example, were sent to homeowners, who when they protested that they could not have been prepared after reading meters, were told they had to make their contribution to the war expenses.

The refugees, too, have been told they must make their contributions for different items to defray expenses.

According to sources in Iran recent rioting in Khuzestan was a result of the authorities' attitudes on these payments. The violence grew so rapidly that 150 people died. The Tehran regime afterwards announced that the battle had been between the revolutionary guards and the Mojahedin, the latter having been 80 per cent eliminated as a result.

Tehran also announced it had discovered networks of Iraqi agents in some of the freed areas of the south-west, giving rise to fears that the mullahs would repeat the actions of Ayatollah Khalkhali last year in executing scores of people who were said to have done no more than talk with the Iraqis after Susan-gerd was liberated. Tehran officials alleged the men they had arrested were responsible for bombings prior to the Iraqi invasion.

CSO: 4600/683

# ZIONIST PREMIER THREATENS IRAN'S ISLAMIC FORCES

Tehran TEHRAN TIMES in English 19 Jul 82 p 1

[Text]

**TEHRAN —** The thrust of the Iranian Muslim Forces to do away with Saddam's shaky regime and to arrive at Israeli war fronts has begun to disturb the already intimidated Zionist and Imperialist circles.

According to an AFP report from Tel Aviv, Menachem Begin, the Israeli Premier Saturday warned that his Zionist forces will severely counter the Iranian troops if they aim at advancing toward Qods."

Meanwhile, he also asked the Jordanian regime as a partner of Saddam's regime in the war to sign a mutual agreement for what he named "a permanent peace treaty".

Talking at a rally in support of the invasion of Lebanon by the Zionist Army, the former terrorist, prime

minister of Israel warned Imam Khomeini that the Israeli Army will destroy the Iranian forces on the second half in their advance toward occupied Palestine.

Referring impudently to the leader of the Islamic Revolution as "that old man in the East" Menachem Begin later said that "the fanatic armies of Khomeini" will before reaching Israel, face our air force and armoured corps and they will be "scattered to the four corners of the earth."

It must be noted that Begin made the above statement, when a day prior to his speech the Muslims in every corner of the world revealed their determination to destroy the Zionist state during massive rallies held on the occasion of Qods World day.

CSO: 4600/682

SOVIET HAND SEEN BEHIND PLOT AGAINST SHARIATMADARI

London IRAN PRESS SERVICE in English No 80, 15 Jul 82 p 5

[Text] Exile sources have accumulated evidence suggesting that the Communist Tudeh party and their political overlords in Moscow were behind the arrest and subsequent smear campaign against the still widely-respected Ayatollah Shariat-madari.

Shahpour Bakhtiar's National Iranian Resistance Movement long insisted that the Tudeh were fabricating documents and preparing the ground for an onslaught against the Shariat-madari. They quoted Tudeh party leaflets written and distributed as long ago as 1979, in which it was contended the politically-moderate theologian was a close aide of the former Shah and a capitalist.

As part of their smear tactic against him the Tudeh party's Mardom newspaper in 1979 almost daily printed articles against Shariat-madari. In one article the Mardom said that Shariat-madari was in league with royalist army officers who were at the time leading an armed campaign against Khomeini's revolutionary guards.

Now an Arabic weekly published in London, Al-Majulla, quotes former Iranian intelligence officers who claim that even during the Shah's regime the Russians were concerned about Shariat-madari's influence among the predominantly Shia Muslim population of the Soviet republics in the Caucasus, especially Soviet Azarbaijan, whose mother tongue is Azari Turkish.

According to Captain Hamed Zomorodi, an intelligence officer of the former regime, the Soviets "were gunning for Shariat-madari long before Khomeini came to prominence." Zomorodi claims that the Soviet agents had already collected documents to use in a kind of "disinformation campaign" to try to encourage the former Savak to get at Shariat-madari.

"The Soviets wanted results," he says. "To them it does not matter who does it or how Shariat-madari is knocked out; what they want is to eliminate him as a paramount theologian," he says.

The Soviets failed to encourage the Shah to move against Shariat-madari but with the rise of Khomeini to power they got down to business again and exploited Khomeini's deep personal jealousy of his rival. They encouraged the 1979



showdown with the Islamic People's party which had chosen Shariat-madari as its spiritual leader. But Khomeini did not dare to move against his rival personally then.

Zomorrodi says that between 1979-82 the communists kept careful watch on Shariat-madari and his aides. Last winter a number of Tehran Bazaar merchants known to be Shariat-madari's followers were shadowed by KGB agents while on visit to Europe. They prepared a full dossier on their activities and contacts and gave it through a third party to Khomeini's espionage network. This enabled Khomeini to move against his long-standing arch-rival.

The fact that Shariat-madari was linked with former foreign minister Sadegh Qotbzadeh was also interesting, because Qotbzadeh had gone on record both as an enemy of the Tudeh party and as no friend of the Soviet Union.

CSO: 4600/683

## IRAN

### 'NAMARA' COMMANDER ELABORATES ON ORGANIZATIONS'S GOALS

London E'Dam in Persian No 111, 4 Jun 82 pp 1,2,3

[Text] As we had promised in issue 110 of the weekly newspaper E'DAM, in this issue, we publish the complete text of the interview of Baba Ali, the editor-in-chief of E'DAM with General Ehsan Pezeshgpur, the commander of NAMARA. The editor of E'DAM welcomed General Pezeshgpur who discussed certain issues in the following interview:

Question: General, in relation to the recent coup d'etat attempt and the forced interview with Qotbzadeh, and the remarks of Sheykh "Rey Shahri," your name and NAMARA were mentioned in few instances and you were called one of the schemers of this event. What do you say in this regard?

Answer: The revolutionary armed forces for the liberation of Iran, NAMARA, is an organization which is based on the principle of Iranian nationalism and attempts to overthrow the illegitimate and anti-Iranian ruling regime in our sacred homeland, Iran, and it asserts the present shameful and bloodthirsty ruling government, of which Qotbzadeh is part, as the enemy of the Iranian nation. Any form of cooperation or dealings with past or present favorites of this regime is anti-human and hostile towards the nation of Iran. In this regard, the words of "Rey Shahri" are completely baseless and imaginary and definitely if this issue is discussed, the purpose is to shift public opinion from the reality of the puppet show to the scenario of the coup d'etat and the anti-regime activities of Qotbzadeh have been solely to create excuses and set out the blood shedding guillotine of the regime.

Question: We know that you have made a trip to Iran recently. What was the purpose of such a risky and dangerous trip?

Answer: NAMARA is throughout Iran and due to the relation of all the cells and nerves of the national revolution, will continue its secret patriotic activities, away from any publicity and pretense, and to cover part of its activities and to protect its forces, uses false names. To cooperate with different patriotic groups and to meet the co-fighters in our homeland is an important task that must be carried out by different individuals and if some trips have been made by co-fighters inside or from outside to inside the

country, it is for this reason. It is natural that the principal goal is to fulfill our patriotic and revolutionary mission, and then other affairs. Thus, in this combat, our co-fighters have accepted all the dangers and risks. I am also not excluded from this situation. I have to indicate that the movement and the presence of NAMARA co-fighters throughout the country is as simple as the movement of the fish in the sea. There are many patriots in different organizations, even the organizations created by this regime, who are trusted friends. We need the help of the nation's revolutionaries to fulfill our movement. Therefore in all our struggles, actions and motions, the maximum security is provided and anticipated.

Question: What is the extent of the connection of NAMARA with national and military groups and true fighters?

Answer: The revolutionary armed forces for the liberation of Iran, NAMARA, believes that overthrowing the regime is only possible by armed and national revolution. All the masses of people in every phase and situation will have an important part in this revolution. We do not consider a national revolution belonging to any class or special groups or individuals. Therefore civilians, military, workers, farmers, employees, women, men, all the people who are interested in their national mission can play their part. Certainly this revolutionary movement is administered by a military group, therefore NAMARA without any leadership claim for this movement, and as a small and revolutionary organization, will cooperate with any organization or individuals who are against the present regime and have analyzed the situation from the point of view of Iran's nationalism, and are free from the influences or pursuits of imperialist policies of the west or east, and are interested in the national interest. Up to now, in many instances, such cooperation has existed within the country, following the strategy of resistance against the government and to combat the unholy alliance of satanic forces in Iran with very good results and it is hoped that this cooperation will be continued.

Question: If some organizations or individuals within or outside the country intend to cooperate, how can they get in contact, especially in light of the secrecy for the offices and activities of NAMARA?

Answer: NAMARA has contacts with recognized resistance organizations outside the country, regardless of whether these organizations are active only outside the country or have connections and activities within the country up to now, good results have been attained. In case unrecognized organizations intend to contact us, those organizations could announce their agreed identity or real identity in the various Persian publications outside the country which are studied and analyzed by our comrades, and request contact. Then definitely the arrangement for this contact will be made in any country of the world. The contacts of patriots within the country will be based on secret procedures and direct contact, and will be arranged by the responsible authorities and combatants within the country. This will be kept as a secret and will never be revealed.

Question: How and in what manner are NAMARA's needs provided?

Answer: A national movement and a liberation organization must be based on all the different administrative possibilities and above all, must be based on the extent of its aspirations, powers and the social and national possibilities. However, these possibilities are very limited. A national revolutionary organization must be created by the people, be nourished by the people, in order to perform for the people. Therefore, a national revolutionary organization must be nourished from its own flesh and blood and depend on itself and then take advantage of other suitable possibilities in its course of action and remove obstacles and prepare the way to victory. In short, to achieve freedom we must not rely on begging from others. First, power from ourselves and then help from friends and others. In case an organization relies on anything except the forces of fighting people, such as aid from outside or dubious aid, its genuine movement cannot be trusted or at least is doubtful and questionable. The revolutionary armed forces for the liberation of Iran have been administered up to now with the help of patriots, partisans and members and the noble movement must have the support and protection of the people of Iran and for this reason, completely secret, direct contact with benefactors, members and friends have been made, even though this help has been insignificant, it has been useful for preparing the necessities for the movement. Definitely, the assistance and cooperation of the people of Iran, in the case of agreement with the strategy of the organization, will be studied.

Question: If an individual or some people want to help NAMARA, what is the procedure?

Answer: They could make contact and discuss the matter, and then with regard to existing procedures, or introducing new procedures, this could be done. One suitable contact could be you. I take this opportunity to thank you for your help in establishing contact between NAMARA and its patriots.

Question: Thank you. General, what is your view about the Iran-Iraq war?

Answer: Iraq is the aggressor towards Iran and the nation of Iran is involved in a holy war to defend its sovereignty and independence, history and culture. Definitely any Iranian who loves his country, feels sorrow for the aggressive act of Iraq, and is willing to participate in this war. Just as the course of the war revealed that the nation of Iran tried hard with all its possibilities to defend its sovereignty, independence and history, gave its blood and invested all its possessions to defeat the enemy and win the war. The nation of Iran taught Saddam that he cannot fight a country like Iran. Although the Iranian people are under the rulership and torture of a bunch of anti-Iranians and a murderous and bloodthirsty regime, the Iranian people will fight easily on two fronts: the war front against Saddam and the war front against Khomeyni, and will come out victorious on both fronts. The people of Iran, the heroic army of Iran, and those groups of armed forces that completely follow the sentiments and wishes of the people will cause greatness and endurance. Certainly, after winning the war with Saddam, the same heroic forces will preserve all their glorious positions and

places and will liberate Iran from the yoke of enslavement of the executioner rulers. Certainly, the self-sacrifice of you and all of these patriots will be praised, and confirmed by the entire nation of Iran, and the future of Iran will be based on the sacrifices and acceptance of great responsibilities of these self-sacrificers for the glory of the nation and the prosperity of the country. Those few people as Khomeyni's Malijak [Nasreddin Shah's adviser in the 19th century] who aimed to destroy Iran and are among the armed forces of Iran, will be punished for their shameful activities by the revolutionary people of Iran. The victory of Iran over Iraq is the victory of Iranian nationalism over Iraq's Saddam, is the victory of Iran's patriots over Iraq, not the victory of Khomeyni and his followers. Regardless of whatever the propaganda apparatus of the regime claims, the facts are nothing but these.

Question: Do you have any message for the members of Iran's armed forces?

Answer: General Ehsan Pezshgpur, in the name of an Iranian and revolutionary soldier, and in the name of a member and small part of a vast resistance movement, and as a patriot, recommends to all the armed elements of Iran in any organization and any attire who are bearing arms for the love of their country and nation, and the ties with history and culture of Iran and for protection and sovereignty and independence of our homeland, to participate by any means in patriotic resistance organizations against the regime of Khomeyni and its followers and act in forming the national revolutionary core. The revolutionary armed forces for the liberation of Iran, NAMARA, of which I am a fighter, gets its strength from you and is getting ready for the last war, the war with the devils. Our reward for your services and the self-sacrifices of your officers, officers-aids, the air force cadets, non-commissioned officers, soldiers, guard corps (Pasdaran) and other forces of the armed people who have faith in Iran's entity and believe in overthrowing this regime of criminals of history, will be a reward with honor, with comfort and security for the people, development for the country and to guarantee human freedom and protect everyone's respect, especially the women who have suffered more anguish and disgrace than men. Your reward will be recognition and respect to you lovers of Iran and those who believe in the rule of law, resulting from the constitutional law of Iran and exertion of national sovereignty. You combatants, join the forces of the revolutionary armed forces for the liberation of Iran, NAMARA. You can hear our voice and our words through your friends, who are near you. Be ready to be guided to the revolutionary cells, identify the patriot in your surroundings, your villages, your towns, your streets, your districts, and strengthen your ties with them. Our ties are the ties of blood and history, our ties are the ties of national unity, our ties are the ties of self-sacrifice, and suffering martyrdom for our beloved homeland, Iran. Long live Iran.

9815

CSO: 4640/380

DEVELOPMENTS AMONG IRANIAN EXILES REPORTED

London IRAN PRESS SERVICE in English No 80, 15 Jul 82 pp 8-10

[Article by Teezbin]

[Text] After three years we have reached one milestone--somebody has publicly admitted that the treatment of political prisoners by the Khomeini regime is worse than it was in the time of the late Shah!

Edward Mortimer in the London Times, after talking apparently to Hedayat Matin-Daftary and other liberal Iranians, recorded their view that things were much worse now. This is the first compliment, albeit a backhanded one, that any Iranians of public significance have paid to the unfortunate Shah in the past three years.

Who knows, soon somebody might try to look at Mohammad Reza Pahlavi's record with increasing objectivity. They might find out that though there were a lot of things he didn't understand (most of all, as events showed, his own compatriots) he did actually provide them with a vast amount of material benefit. And that his patriotic approach did result in a prestige for Iran and Iranians that they hadn't enjoyed since the heyday of the Safavid dynasty three centuries ago, as well as laying down much of the infrastructure for providing a decent, modern future for the great mass of Iranians who had lived in degeneracy and decay for so long.

How do all those ministers and other high officials, the billionaires and the trillionaires, who owe most if not all of what they've got to the Shah, feel when they now see that it is the liberals and the leftists who were always the Shah's opponents who are the first to utter a word in his favour? And to draw the attention of the world to the foul truth of what has been happening in the past three years in Iran?

What happened to that shrewdness that allowed them to export their money so wisely before the uprising came, that led them to fly out of Tehran before the trouble really got moving? Why couldn't they, once the tragedy hit Iran, use a little of that shrewdness and just a few pennies of their vast fortunes to draw the attention of the world to the shame to humanity that has been the state of affairs in their sad country?

The answer, of course, is a complete lack of patriotism of the kind that is commonplace throughout the rest of the world--and, as we've found out, widespread among the majority of ordinary Iranians. And they must surely realise now, those ministers, high-ranking bureaucrats, the ambassadors and the tycoons, that they will not only never be welcome back in Iran, but they will enjoy forever the contempt of the rest of the world, too.

Do these people living their congenial lives in the cities of the West imagine that foreigners sympathise with them at all? Even those who have tried to help, and have individually done their bit, are now tarred with the same brush as is the great mass of the indulgent bourgeoisie which is at present giving its summer parties before it moves to the playspots of the world, saying goodbye to the croupiers and restaurateurs on whom they pile their Iran-earned cash as if it's confetti at a wedding.

They ring each other up excitedly as they read letters to the Times from British Labour MPs calling for some compassion for less well-off Iranians who are threatened with being sent home to face even death because their parents didn't have the good fortune to be able to mop up the huge sums the British and other countries demand from Iranians to let them stay. Yet when they had the chance they never tried to use their British or other foreign friends to help obtain this compassionate approach--they just sought to obtain security for themselves.

Listening to them talking you get the impression that Iran was simply a country that they were briefly posted to, like diplomats, not the land of their fathers and the origin of their blood. They discuss the tragedy in the same terms as they do a natural disaster in India.

And the bright young men, the former under-secretaries or those who were heading that way, just as so many of their elders do, debate the present and the future of their country with the same detachment that Englishmen discuss the tactics of the latest cricket test against India. If you ask them why they haven't done anything to organise themselves to help their less fortunate compatriots or try to obtain public support for their plight they say their Great Aunt Zoreh is still in Tehran and might suffer if they "got involved." But Great Aunt Zoreh herself is queuing up in the hope of getting a kilo of potatoes or rice and cursing her family in the West for wheedling her foreign-banked cash out of her to buy their wines and steaks for themselves: she can't understand why they're not "involved" up to their necks.

Do all these people imagine that even if some fascist general takes over in Iran he's going to feel he needs any of these craven, feckless characters and will invite them home? No ruling clique will find any advantage in being associated with such a discredited community. If they do go home to a new Iran the "taghutis" will live in perpetual fear of being denounced for their failure to serve their less-fortunate compatriots, of betraying their country and even their king; and they may lose whatever they've been able to salvage all over again.

Similarly, do all these politicians and writers who labour over plans for democratic institutions, and an Iran aglow with all human civil rights, imagine

they are going to be able to introduce a system remotely akin to a typical Western democracy when they do go home? That's a laugh, particularly after the betrayal of the people by officials who fled overnight and left their dependents to face the music; and after the horrors inflicted on the people of Iran by those who said they had come to give them freedom and democracy.

What the Iranian people will need of their future regime is the strength and security to guard against any return to the indescribable oppression and misery of the past couple of years. It may be all right for Shahpour Bakhtiar and Ali Amini, who anyway have a justifiable axe to grind against the late Shah's regime because of the humiliations to which they and so many like them were submitted on occasions to try to equate Khomeini's regime with its predecessor as they enjoy the comforts of Paris; but that attitude can only confuse those still inside Iran and nip in the bud any attempts to arouse popular feeling against Khomeini. Many people inside Iran still feel they fell out of the frying pan into the fire--even though they exchanged a land of opportunity, prosperity and economic freedoms, at least, for a way of life full of anachronistic, medieval restrictions that only a benighted people would voluntarily accept in the 20th century. That frying pan was certainly a cooking utensil in which the majority of the deprived people in the Third World would have been very happy to have found themselves...

The Iranians in exile really must stop deluding themselves. It was they who supported Khomeini and helped bring him to power, not their European or American hosts. There were admittedly misguided "liberals" and leftists, particularly at universities in the West and in sections of the media, who wanted in their blaze of humanitarian feeling, to see banished the bad practices that existed under the Shah's regime, and who used their accumulative influence to encourage those Iranians who shared their view. But it was the naivete and gullibility of the Iranian people themselves which landed them in the welter of blood and vicissitude that has engulfed them since 1978. And it was the imprudent lead given to the masses by their better-off and better educated minority that played the crucial role in the tragedy. Had they been capable of using their heads then those who knew no better may not have hurled themselves into the vortex with so much abandon.

The only hope for these exiles now is for them to try to sit down together and form a lobby of opinion that can help the process of making the publics and governments of the world understand just what happened in Iran and to persuade them to stop bolstering the Khomeini regime. If they do that they will encourage the people inside Iran to consider their own position with more objectivity, to look for alternatives and for ways of pressuring the regime in Tehran to react more to their wishes.

The only other thing that exiles can do is to go and fight to get their country back. But since the legion of officers in London and Paris last winter found even the cold weather on many days discouraged them from going to their favourite restaurants for lunch it seems unlikely they nor their other exiled compatriots will risk the perils of the Kurdish mountains to join a counter-revolution. Many people did tackle the peaks to get out to the comforts of the western world over the past three years but none of them seems interested in a return trip by the same route.



## BRIEFS

MAJLIS OF EXPERTS--AHVAZ--Ayatullah Mahdavi Kani, member of the Council of the Guardians of the Constitution and head of the Islamic Revolutionary Committees, spoke on various issues including the ongoing war during his inspection tour in the capital of the southern Khuzestan province, reported IRNA. Kani, speaking on the formation of a Velayat-e-Faqih Council, said that the Majlis of Experts will be formed soon on the orders of Imam Khomeini. "After completion of preliminary tasks and meetings, Velayat-e-Faqih will be elected through this Majlis (of Experts)." Inviting the people to participate actively in the election of Majlis of Experts, the Ayatullah said: "This move is being taken only to determine the leadership and Velayat-e-Faqih in the future." [Text] [Tehran TEHRAN TIMES in English 18 Jul 82 p 1]

FRANCE ACCUSED OF PLOTTING--TEHRAN (IRNA)--France has always indicated its support for Iraq, and any threat against Iraq's "national unity" would be construed as a crystal-clear threat to the region's stability, announced French Foreign Minister Claude Cheysson said in a meeting with his Iraqi counterpart Saddam Hammadi. Hammadi, who is in France, after speaking to the United Nations officials in New York about the Iraqi-imposed war on Iran, plans to brief French officials on the recent developments in the warfronts and hence seek more assistance. France ranks second after the U.S. in supporting Iraq in its war against the Islamic Republic of Iran. While France is granting asylum to Iranian counterrevolutionaries in its "cradle of freedom" and is arming the aggressor Iraqi military to the teeth against the Islamic Republic of Iran, the French Foreign Minister shamelessly threatened that Iran's military operation which started Tuesday would be fiercely opposed. France is one of the Security Council's permanent members which signed Monday's resolution on the Iraqi-imposed war on Iran. [Text] [Tehran TEHRAN TIMES in English 18 Jul 82 p 1]

CONSTRUCTION CRUSADE--ISFAHAN--About 200 villages and the Minoo Island would be reconstructed by the Construction Crusade, said Engineer Morteza Sharif al-Nasb recently. The provincial Crusade official added that rehabilitation of the areas effected by the Iraqi imposed war was the basic program and a top priority shouldered by the Crusade. Al-Nasb said massive participation of people in the Crusade since the beginning of the revolution was a major factor that contributed to the success of the projects undertaken. He said the Construction Crusade handled sensitive, emergency needs to meet diversified requirements in war and surrounding zones as well as in non-war sectors. The crusade will continue to build up the country in the time of war as well as peace, he added. He said

the Crusade supplied construction material, arms and ammunition, food products, air brigades, emergency landing airways, mobile hospitals and major items to meet the needs of the Islamic fighters in the ongoing Iran-Iraq war. A tailoring factor is also being run with 2,300 Hizbollahi women workers to sew dresses for the Iranian combatants, he said. Al-Nasb said the Iranian Revolutionary Guards Corps (IRGC) is speedily defusing mines planed by the Iraqis who had fled. [Text] [Tehran TEHRAN TIMES in English 18 Jul 82 p 2]

TUDEH PARTY'S ORGAN BANNED--TEHRAN--The Islamic Prosecutor's Office has banned the publication of the "Ittehad-e-Mardom" weekly, organ of the Tudeh Party of Iran, revealed a communique issued by the Public Relations Office of the Prosecutor. The announcement said that the weekly in question was opposing the Sacred Islamic laws and creating obstacles for the "No East No West" policy of the Islamic Republic of Iran and effective July 18 is prohibited. Recently, Nader Ali Akbar Nejad, Tudeh Party's nominee to the Islamic Consultative Assembly was in the mountains of Babol, together with several members of the anti-state groups. The arrests were made by the Islamic Revolutionary Guards Corps who also discovered and confiscated a large amount of arms and ammunitions from the hideouts of the rebels. [Text] [Tehran TEHRAN TIMES in English 19 Jul 82 p 1]

CSO: 4600/682

## BRIEFS

TEMPLE MOUNT BUILDING--About 20 Yeshiva students today broke into an apartment over the small wall in the Temple Mount area. They entered the apartment, sat there and prayed. Following a complaint by the Supreme Muslim Council, which is handling the Temple Mount affairs, the police intervened. Following hours of negotiations the youths agreed to evacuate the apartment and voluntarily left the place a short while ago. The police did not detain anyone but the youths will be summoned for interrogation. At this stage, it is not clear who owns the apartment and why the incident occurred. [Text] [TA281414 Jerusalem Domestic Service in Hebrew 1300 GMT 28 Jul 82]

KAKH ACTIVIST UNDER DETENTION--A Jerusalem teacher-translator, the father of nine children, was detained yesterday for a period of 3 months in accordance with a special administrative detention order signed by Defense Minister Ari'el Sharon. This is the first time that Sharon has ordered a Jew detained in accordance with an administrative detention order according to emergency period codes "for reasons of the country's and public's peace." Former Minister 'Ezer Weizman ordered the detention, by means of a similar order, of Rabbi Me'ir Kahana in May 1980 and that of Barukh Green, both of them members of the Kakh Movement. Lerner, who claimed yesterday that he had no idea why he had been detained by virtue of such an order, is also a member of the Kakh Movement and has been working as a salaried employee of the movement for 9 years. Lerner has in the past served two periods of detention, one of 1 year and the other of 2 years (out of 3) in connection with his political activity. The current order stipulates that he be detained until 24 October and does not go into detail about the reason for the detention. Today Lerner will be brought before the president of the Jerusalem District Court, who will discuss the matter of the order. He will be represented by attorney Li'orit Daniyel who was retained by Rabbi Kahana. [Gad Li'or] [TA261410 Tel Aviv YEDI'OT AHARONOT in Hebrew 26 Jul 82 p 7]

CSO: 4400/400

## COUNTRY'S ECONOMIC POLICIES REVIEWED

London ARABIA in English No 11, Jul 82 pp 43-54

## [Text] An International Perspective

Kuwait, a country with a population of 1.35 million, is situated at the mouth of the Shatt al Arab waterway, control of which was the trigger for the war between Iraq and Iran in September 1980. The conflict being fought on Kuwait's back doorstep has naturally enough become the country's biggest foreign policy problem. However, there is confidence in Arab and Islamic solutions to the problems of the Gulf, while any interference by foreigners, even those non-aligned nations with good intentions, is positively resented by many Kuwaitis.

Kuwait has taken considerable comfort from the progress made over the past 18 months towards unity in the Arab Gulf. The Gulf Cooperation Council (GCC), to which Kuwait belongs together with Saudi Arabia, Bahrain, the UAE, Qatar and Oman, was inaugurated in February 1981 and is already recognised as having laid the foundation for a possible political union of the six Gulf states.

As an Arab Common Market there are obvious analogies with the European Economic Community (EEC) and even suggestions that at a later stage other Arab countries may join - North Yemen and Jordan have been mentioned. Its first secretary-general is a prominent Kuwaiti diplomat, Youssef Bishara, who served Kuwait at the United Nations and acquired a reputation of international standing.

Kuwait played an important role in the formation of the GCC. It has always been the policy of the Kuwaiti government to maintain checks and balances in foreign policy, but it is staunchly in favour of Gulf cooperation, which it prefers to be carried out within the organisation as a whole rather than on a bilateral basis.

At a broader international level Kuwait maintains full diplomatic relations with Mos-

cow, thereby emphasising its even-handedness. The government policy of friendship with Eastern bloc countries was bolstered by a tour in September 1981 of Bulgaria, Hungary, Romania and Yugoslavia by the Emir, Sheikh Jaber al Ahmad al Sabah. This made Sheikh Jaber the first conservative Arab Gulf ruler to visit an Eastern bloc country.

Internationalism is a strong facet of the emir's approach to foreign policy. In 1980 Sheikh Jaber visited Pakistan, India, Bangladesh, Indonesia, Malaysia and Singapore. Subsequently, a number of joint venture enterprises were announced with Asian countries which other Gulf states have since copied. Kuwait is also one of two conservative Arab Gulf states to have full diplomatic relations with mainland China.

Kuwait's internationalism is matched by a corresponding emphasis on diversification of investment. Kuwait is the best represented of the Gulf states in joint venture projects with Third World countries, as well as in its commitment to cooperation with industrialised countries. To this end the state-owned Kuwait Petroleum Corporation (KPC), which often carries the flag in talks with industrialised countries, is negotiating with the oil major Gulf Oil for the purchase of its European refining and marketing operations. Kuwait's estimated accumulated reserves of \$80bn give the country income from non-oil sources which enables it to make cuts in oil production at a period of world glut.

The ruling family traces its ascendancy to the mid-18th century, when the leading merchant families of Kuwait elected Sheikh Sabah bin Jaber as Emir. The heir to the dynasty Sheikh Jaber, succeeded the previous Emir, Sheikh Sabah, in 1978. He had been prominent in royal affairs for more than a decade because of the poor health of his

predecessor. The Emir travels in a chauffeur-driven limousine but sits next to his driver – and there has been very little change in his hard-working routine since his days as prime minister under Sheikh Sabah.

The Emir has also kept a promise made to his people at his accession. The elected national assembly, which had been suspended in 1976 for four years by Sheikh Sabah, was revived in 1981 when elections on a restricted franchise took place in February. Of 90,000 voters, all men, who were eligible to vote, only half registered. Despite this, the national assembly has already shown that it is not a time-serving institution. While a certain amount of government legislation has been passed the assembly has struck out a number of proposed measures.

A government bill requesting funds for the Syrian peacekeeping force in Lebanon was rejected. More controversial at home was the assembly's vote to deny the electoral franchise to women, although a number of young Kuwaitis who feel increasingly threatened by the scale of immigration into the country argue for a greater role in society to be played by Kuwaiti women. Nationals make up less than 30 per cent of the total workforce, and their proportion of the total population has steadily declined to the 41 per cent shown in the 1980 census.

The buoyancy of the economy has been a potent force in welding national unity. Kuwait is likely to be strongly dependent on national consensus to ensure homogeneous development. Kuwaiti nationality bestows two important rights other than the general one of a cradle-to-the-grave welfare state: Kuwaiti nationals are free to sponsor foreign companies and to own shares in publicly quoted companies.

A general phenomenon which has boosted confidence in the economy has been the involvement of Kuwaiti businessmen in supplying goods and services to Iraq. About 3.5m tonnes of Iraq-bound cargo passed through Kuwait in 1981. Even after the restoration of peace in the Shatt al Arab it is estimated that international salvage operations to remove sunken wrecks and unexploded bombs could take up to two years. Kuwait's role as a supplier to Iraq in its reconstruction and rearmament effort is likely to continue for a long time.

In the current financial year ending June 1983, the Kuwaiti government forecasts a drop in oil revenues from the previous year's figure of \$18.2bn to \$10.3bn. Total expenditure is to be cut from \$18.3bn in 1981-2 to \$12.2bn in 1982-3. Finance Minister Abdul Latif Hamad is allowing for a budget deficit of about \$1bn in the current budget year. It is

only the second time that this has happened, since traditionally Kuwaiti budgets have been in surplus. The last time a budget deficit was recorded was after the 1973 Arab-Israeli war.

Restraint and avoidance of waste have been the hallmarks of Al Hamad's regime at the finance ministry. As Kuwait faces a future in which a resurgent Iran will play a more influential role in Gulf affairs, the country is at least secure in the knowledge that domestically the house is in order.

## Leading Capital Market

Kuwait's growing financial surplus has given it the status of the Arab Gulf's leading capital market. A growing body of opinion among financial analysts favours a return to Islamic precepts in the banking industry. Their arguments have been reinforced by the success of Kuwait's only Islamic bank, Kuwait Finance House, which in 1982 more than doubled its balance sheet footings to KD 351 million (\$1.2bn) compared with 1980.

As Kuwait's surplus has grown interest in borrowing money from Kuwait has increased. The Kuwait Fund for Arab Economic Development was founded in 1964 as the first of the Arab aid institutions designed to provide Arab, Islamic and developing countries with development finance on cheap terms. The financial sector, spearheaded by three investment companies known as the three K's – Kuwait Investment Company (KIC), Kuwait International Investment Company (KIIC) and Kuwait Foreign Trading Contracting and Investment Company (KFTCIC) – has played a role in bringing top international names to raise funds in Kuwait. The commercial banks, for long confined to a mainly domestic role in the economy, are now also entering a more active development phase. National Bank of Kuwait has recently established a representative office in Singapore and a number of adventurous Kuwaiti institutions have joined together to form the Kuwait Asia Bank which in May joined NBK as Kuwaiti flag bearers in Singapore.

The role of institutions, such as KFTCIC, in pure banking operations as distinct from investment promotion is often overstressed. In Andalusia in southern Spain KFTCIC is promoting an industrial project which will bring new life to a region badly in need of capital and resources. The \$293m Presur sponge iron works, where construction work is due to start in 1982, shows how Arab capital and European expertise can work together to stimulate employment and productivity in the West. KFTCIC is a 28 per cent participant in the equity of the Presur project.

At a time when some Arab-owned institutions have shied away from participations outside the Arabian Gulf, KFTCIC has been widening its horizons. In 1981 KFTCIC joined the French government in Cidem, a joint venture company for investment in mining projects. It also demonstrated its commitment to the high absorbers among Arab countries. The official opening of the Kenana sugar project in Sudan, in which KFTCIC is a participant, took place in 1981 and in the same year work began on the Guelb iron ore scheme in Mauritania, another KFTCIC investment.

Paradoxically, it is the tight margins and low profits available in the international syndicated loans markets which have led some of Kuwait's best known financial institutions into considering other non-traditional banking.

This retreat from the high profile adopted by some Kuwaiti institutions in the late 1970s is best expressed at the Kuwait International Investment Company (KIIC). Assistant manager of the banking department, Abdullah al Muneefi, says: "What we do on the international market is selected case by case – and it has to be at least to a double A credit rated borrower. For Venezuela we are looking at short-term paper for one or two years because we consider it a good risk. We are also prepared to go in for Italy, France, West Germany, Japan, Switzerland, the UK and Spain."

As KIIC has drawn in its horns internationally a correspondingly greater emphasis has been put on the domestic sector. Says Muneefi: "We are finding a lot of good deals in the local market which are paying us much better than what we are getting internationally. Unlike the international market we know our customers much better because they are close to us." KIIC is now fairly active in equity investments, another departure from the past, although activity has been limited to Tokyo and New York. Says assistant manager Abdel Rahman al Ali: "The equity market is a good way of learning first hand. You have to be up on your politics – up on everything – particularly when the equity markets are affected by something like the South Atlantic crisis."

At KIIC it is also possible to hear some fairly radical views on the future of banking. Basil al Nakib, deputy general manager for investment and banking affairs, has made a special study of Islamic economics. He says: "High interest rates slow down economic activity and reduce investment. This in turn reduces future supply and plants the seeds of future inflation leading to wide-scale unemployment. Islam forbids the earning of interest regardless as to whether the borrower makes

a profit or a loss. On the other hand, Islam encourages sharing in risk-taking proper rather than mere credit risk."

Nakib acknowledges that Islamic banking has a long way to go, but he insists that if Islamic precepts were applied to some of the problems facing industrialised countries then recovery of the world economy might be easier to predict. He says: "The company is the basic productive unit in the economy and if we destroy it by charging high interest rates then we destroy the economy itself."

There is clearly a contradiction inherent in an investment company such as KIIC, which is active within the Western banking system, advocating a radical alternative. KIIC makes the best use possible of Western instruments: it seeks only to invest in the most stable world currencies to minimise risk. The company's investment strategy, which can be assumed to mirror that of the Kuwait finance ministry, has a high proportion of total funds in the US dollar. Other favoured currencies are the Canadian dollar because of its close links with the US currency, the Deutschmark and the closely linked Dutch guilder, the Japanese yen and the British pound. Says KIIC's manager portfolio investments Fuad al Bader: "We also have a small amount of other currencies like the Swedish krona, Norwegian krone, Australian dollar and International Monetary Fund (IMF) Special Drawing Rights and European units of account. For our clients there has been some change lately since we have increased their Deutschmark and sterling holdings; but these have been only minor adjustments, as the dollar is the major international currency."

The capacity of the Kuwait economy to absorb oil revenue is limited by the small size of the country. As in the oil industry Kuwait has not wished merely to produce and export its capital but to build an industry around it. The emergence of a financial services sector, albeit closely modelled on western lines, has proved one of the most enduring achievements of the post-1973 period.

The Kuwait Dinar (KD) bond market, the oldest and largest of the Middle East capital markets, has succeeded in bringing to Kuwait some of the best names in international finance. Since the beginning of 1982 US borrowers in particular have been attracted to the KD bond market in carefully regulated amounts of KD 7 million (\$24.6 million). Dart and Kraft and Richardson Merrell of the US have been joined recently by a Japanese borrower Orient Leasing Company, the largest leasing group in Japan. This Japanese issue lead managed by KIIC is a personal triumph for KIIC's manager new issues Seraj al Baker, one of the young

Kuwaitis who is playing a prominent role in the emergence of a unique white collar industry.

### Oil Glut Cuts Exports

Oil production in Kuwait will go on longer than in any other Arab Gulf state. Its reserves are surpassed in potential only by Saudi Arabia and the Soviet Union. Yet Kuwait with only 6 per cent of Opec's total exports does not rate highly as an oil exporter despite its estimated reserves of 68bn barrels. This is because production has been cut back as far as possible for conservation reasons and to allow Kuwait to ride out the effects of a world glut. At the same time, a domestic cost cutting exercise has been undertaken by Finance Minister Abdul Latif Hamad aimed at reducing national expenditure. At a recent press conference Hamad raised the unlikely but nevertheless sobering thought that unless spending was rationalised the Kuwait government would go "bankrupt."

Oil production figures are secret but output is known to be much lower than the official ceiling of 1.25m barrels a day (bpd) for Kuwait which rises to about 1.5m bpd when the Neutral Zone shared with Saudi Arabia is added. Western reports have claimed during 1982 that production slumped to between 600,000-700,000 bpd although these reports have been discounted by senior Kuwaiti officials. Kuwait is known to have had difficulty in establishing contract agreements with oil companies at official prices, but senior oil ministry spokesmen insist that Kuwait's strategy is to go for long-term arrangements. "Our attitude towards prices is governed by our wish to keep oil in demand," Oil Minister Sheikh Ali Khalifah al Sabah says.

Cutbacks in oil production have undermined another aspect of the country's hydrocarbons policy. Gas processing has been making a useful contribution to exports, particularly to Japan. In common with many other Gulf hydrocarbons producers Kuwait's gas is only produced as a by-product of the oil fields. A cut in oil production, therefore, also affects gas supply.

The gas crisis has become so severe that in April the Kuwait National Petroleum Company invoked the force majeure clause on a portion of its contracted Liquefied Petroleum Gas (LPG) sales to Japan because it was unable to meet its commitments. Sales of LPG in 1982 are expected to be cut to about 900,000 tonnes from a previous commitment of 1.5m tonnes.

An illustration of the gas crisis is the fact that the Mina Ahmadi LPG plant, completed three years ago at a cost of more than \$1bn,

was designed to operate to a maximum Kuwaiti oil production of 3m bpd. The plant is unlikely ever to work at full capacity and only one of the three gas processing lines, or trains, is operational. Kuwait's own power and desalination plants are also being kept on a tight reign for gas supplies. Citizens are being urged to save water and electricity in posters reminiscent of wartime Europe.

A solution to the Mina Ahmadi LPG plant problem would be to find new sources of unassociated gas. A contract has recently been awarded to the Japanese for preliminary work. Another solution is to tie in a gas gathering scheme in the south using associated gas produced with oil production in the shared Saudi sector. The \$150-\$200m scheme has aroused interest from major American, Japanese and European process engineering companies. The Saudi partners are, however, believed to favour using the gas for re-injection into the oil fields to improve crude oil production.

Early in 1980 the Kuwaiti government reorganised the petroleum sector. Kuwait Petroleum Corporation, the umbrella organisation set up to administer government interests in the sector, has grouped under its control Kuwait Oil Company - KOC - (gas and oil production); the Petrochemical Industries Company (PIC - petrochemicals); Kuwait Foreign Petroleum Exploration company (KFPEC - overseas exploration); Kuwait National Petroleum Corporation (KNPC - refining and gas processing) and the Kuwait Petroleum Investment Company (equity participations).

The benefit of the nationalisation has been largely in improving policy coordination and in removing duplication of bureaucracy. A new investment programme for increases in refinery capacity has been defined. This involves modernisation of the Mina Ahmadi refinery being undertaken by JGC Corporation of Japan for completion by 1984. This \$1.7bn job is expected to be equalled by the modernisation plans for Mina Abdullah for completion by 1985. Once these two refineries are in production Kuwait will have a refining capacity of 700,000 bpd.

An interesting feature of the Mina Abdullah award was the role given to CF Braun and Company of the US. KPC bought the parent company (Santa Fe) of CF Braun in 1981 and it is understood that Braun will be handling front end engineering procurement and construction supervision. The award of an "in house" contract of this kind is believed to have implications for the future especially as Braun might also be favoured in overseas ventures where Kuwait is represented. Some commentators are predicting that Braun will

take a major part in the \$1bn plus scheme proposed by PIC for an aromatics complex. This job has been on the table for about ten years and is thought more likely to be put out to competitive international tender.

As a corollary to these developments the tanker fleet owned by KOTC is being expanded. By 1984 this KPC associate hopes to operate 27 tankers. KOTC's tonnage is capable of lifting 38 per cent of Kuwait's oil exports and more products tankers are on order from the Far East.

KPC's overseas operations have recently focussed on moves to buy part of Gulf Oil's European refining and marketing operations which include Milford Haven in the UK, Gulf Haven in Denmark, Europort at Rotterdam and Cressier in Switzerland. In 1980 KPC failed in an attempt to buy a 14 per cent stake in Getty Oil Company but succeeded in acquiring a 25 per cent stake in the International Energy Development Corporation with prime partners including Sweden's Volvo and Canadian and US oil exploration interests. IEDC has exploration concessions in developing countries. To date, however, KPC's most interesting acquisitions have been a half share in a Hawaiian refinery for \$185m and the much bigger purchase of the Santa Fe exploration and drilling group for \$2.5bn.

Kuwaiti participation in Santa Fe brought about an immediate revitalisation of KPC's development budget. Three Kuwaitis led by KPC managing director Abdel Razzaq Mulla Hussain joined the Santa Fe board. Through Santa Fe, Kuwait has a 20 per cent stake in an exploration concession in one of the world's biggest untapped concession areas – mainland China's offshore waters. These moves and others suggest that Kuwait is moving to the centre stage of world energy production.

### Nationals Benefit

A fully integrated welfare state has been established for Kuwaiti nationals. In 1949 only 100 hospital beds existed in the emirate which was then under British influence. Today more than 6,000 hospital beds have been provided for a population of 1.3 million. Although foreign advisers have been used in devising a blue print for the social services the control and administration of the welfare set up is firmly in the hands of the Kuwaitis.

By the year 2000 it is expected that Kuwait's population will have grown to 2.5 million although nationals will constitute only 25 per cent or less. At present the government dilemma is that of coping with a young population since 50 per cent of all Kuwaitis

are now under the age of 16. The number of students in Kuwait is reckoned at 400,000 and education absorbs by far the largest part of the government budget – at least \$600m in the year 1980-81.

This reflects a government desire to bring as many Kuwaiti nationals as possible up to the level where they can take over management of their country.

In 1978-79, out of a total of 19,424 teachers from play group up to secondary level, no fewer than 8,200 were from Egypt; Kuwaitis numbered just over 5,000 and most of these were pre-secondary teachers. Jordanians and Palestinians were the next biggest group. Fewer than one fifth of the teaching staff at the University of Kuwait are nationals. Education at all levels is free for Kuwaitis and in Kuwait City there is a nursery school place guaranteed for every child. The educational tradition in Kuwait is emphasised by the fact that the first school (for boys) opened in 1912 and the first for girls in 1927.

Education overseas is considered a natural extension of the domestic system and the state offers a subsistence allowance for those taking up higher education courses abroad. On their return graduates are guaranteed employment but must stay in a government office or a publicly owned corporation for a period equal to that of their study period overseas.

Kuwaitisation of services sectors, such as banking, has proceeded rapidly over the past two to three years. At an institution such as the Kuwait International Investment Company (KIIC), the largest private sector investment company, young nationals are moving into areas of responsibility. Two former graduates of the University of Wisconsin, Seraj al Baker and Abdul Rahman al Ali, are in charge of new KD bond issues and equity investments respectively. The generation immediately preceeding them is represented by men, such as KIIC's managing director Salah Fahad al Marzook, who on reaching university education in the late 1960s, as opposed to Baker and Ali in the late 1970s, chose Arab universities such as Cairo rather than America for further education.

Palestinians are the next largest group in the population after Kuwaiti nationals. Although emotionally tied up in the struggle of their homeland to win freedom from Israeli occupation Palestinian Kuwaitis are generally politically passive within Kuwait. The "fifth columnist" threat often imagined by western observers does not exist. Kuwait is careful, however, to observe sensitivity towards the Palestinian cause. The Palestine Liberation Organisation gets financial and moral support from the government. In April a one-day strike



was observed in protest at the Israeli attack on a Jerusalem mosque.

The transition to Kuwaiti nationality is a jealously guarded privilege granted only to a handful of Arabs each year. To prove Kuwaiti nationality it is necessary to show that a family has lived in Kuwait since 1922. People who can show residence in Kuwait since 1945 can become second class citizens. This permits property ownership and the ability to sponsor companies but denies voting rights. Second class citizens can, however, own shares in companies.

The share market, known as the Manakh after the building in which it is housed, has become the hottest social issue in Kuwait. By trading in shares on the basis of post dated cheques new wealth has been created for many Kuwaitis. Kuwaitis react sensitively to criticism that the Manakh is a form of gambling. In fairness the terminology used by Kuwaitis to describe transactions on the Manakh "playing the market" does lend easily to criticism as do the stories of fortunes created overnight and rumours of wholesale resignations from the public service by young men who see themselves as stock brokers.

KIIC's Seraj al Baker sees the Manakh in a different light. He points out that the "pooling of funds" represented by the Manakh are at least under Kuwaiti control. In the past many Kuwaitis who sent their money overseas lost out on currency fluctuations and unstable equity markets. "From a national's point of view the Manakh is good for the country," he claims. "People that are smart are looking around and saying 'we are better off keeping our own money at home'."

Whether or not the Manakh is to blame, the labour problem is considered by Kuwaitis to be the most pressing issue for the future. At Kuwait airport once a week a plane load of Sri Lankan housemaids arrives to take up appointments as domestic servants in Kuwait. The country is becoming used to a pampered existence where reserved occupations for Kuwaitis are more often than not white collar or rentier jobs.

### Industry Moves to Second Phase

Industry in Kuwait has been traditionally associated with oil production and downstream industries such as refineries and petrochemicals. By the nature of such investment government funds have played a substantial role in bringing into life desert areas once given over to nomads. Today a secondary wave of industries is emerging which

makes use of advanced technology, low labour content and incentive packages offered by the government to local entrepreneurs prepared to invest in productive enterprises.

At Shuaiba, Kuwait's petrochemical industry, the first in the Middle East to use natural gas for the manufacture of ammonia, urea, sulphuric acid and ammonium sulphate, is dominated by the state-owned Petrochemical Industry Company (PIC). PIC is expanding its work having decided to proceed with a \$1bn petrochemicals complex to manufacture aromatics. PIC recently gave a contract to Technipetrol of Italy for a fourth ammonia line. By 1984 PIC will be producing 3,000 tonnes of ammonia a day making it the Middle East's biggest producer.

PIC is also involved in a number of ventures outside Kuwait including a project in Bahrain in which the Bahrain and Saudi public sectors participate. A contract for the construction of an ammonia and methanol facility on the island of Bahrain was awarded earlier this year to Snamprogetti of Italy. Within Kuwait PIC has joined with the private sector in a number of industries including the Kuwait Petrochemical Products Company in which the other shareholders are the Industrial Bank of Kuwait (IBK) and Kuwait Melamine Industries.

Joint venture projects are a feature of Kuwait's industrial strategy, particularly those which involve cooperation with member states of the Gulf Cooperation Council. The Kuwait Cement Company (KCC) which has a 1.3 million tonnes a year plant at Shuaiba attempted in the 1970s to enter a joint venture with Oman but the Omanis eventually decided to go it alone. KCC entered a more successful venture with the Saudi government for the Saudi Kuwaiti Cement Manufacturing Company. A contract to carry out the project has recently been awarded to a West German consortium involving Polysius and Held & Frank of Munich. This \$200m 7,000-tonnes-a-day plant will be the biggest ever built in Saudi Arabia.

Considerable controversy exists within Kuwait as to the effectiveness of government intervention in the industrial sector. Says Youssef Shukaibar, the chairman of Kuwait Engineering Operation & Management Company (Kenomac): "The credit for much of the best of Kuwaiti industry rests with the private sector. It is nothing for the government to be proud of that Kuwait has such advanced and sophisticated industry."

Not everyone would agree with him although government planners would also applaud the initiatives taken in recent years

by the private sector. At the Industrial Bank of Kuwait executive decisions are taken on supporting industrial projects proposed by entrepreneurs and licensed by the ministry of commerce and industry. The incentives are similar to those offered by the better known Saudi Industrial Development Fund (SIDF) but are becoming increasingly important to Kuwait. IBK's total commitments to the end of 1981 amounted to KD 173.5m (\$610m) distributed over 220 projects. The package of government incentives includes long-term loans at low interest rates, long-term leases of industrial land at pepper corn rents, provision of infrastructure, low cost utilities, import tariff protection and tax holidays.

Generally speaking, the private sector has concentrated on manufacturing related to the building industry. At Shuaiba, for example, factories exist to produce paper products, plastic bags, bricks, asbestos pipes, pre-cast systems and steel frame buildings. The latter is the factory run by Kirby Building Systems Kuwait, owned by Alghanim Industries, which bought Kirby in 1975 from a US firm.

Kirby has recently completed two of the largest pre-engineered steel frame buildings yet built for a textile factory in Egypt, with areas of 54,000 and 41,500 square metres. During the past 12 months Kirby has opened three offices in North Africa to complement its network of 15 Middle East sales offices. Offices have also been opened in West Germany and South Korea.

Kirby's success in selling to the Koreans would in any other country qualify for an export achievement award. In April, South Korea's Samsung Construction, considered one of the up and coming Korean contractors, bought a pre-engineered steel frame building for one of its projects in Libya. Kirby's marketing director Mike Azmi is even suggesting that Kirby may invest in a second factory—outside Kuwait—as shipping costs to export markets make pricing competitive.

Two factories aimed at bringing new industries to Kuwait are currently under construction. By 1983 National Automotive Manufacturing and Trading Company is planning to have in production a truck plant with 15 different models at a design capacity of 1,000 trucks a year. The licensee is Magirus Deutz of West Germany which will supply knock down parts for assembly. The venture has similarities with Daimler Benz's joint venture in Saudi Arabia which has proved a success. In 1984 Kuwait Chemical Manufacturing Company is expected to start production—under licence from Synres of the Netherlands—of resins and emulsions.

The deterrent to investment in industry in Kuwait is the high cost of inputs and labour. A

viable project is not difficult to finance especially with the surplus cash available on the Souk al Manakh unofficial stock market. IBK and the government both favour giving priority to industries which involve a real transfer of technology. Kenomac's Shuhaibar and IBK's executive manager Lucien Toutounji in a recent press interview mentioned robotics and electronics. Robotics may be somewhat advanced if the response of a leading Arab banker Hussain Najadi, chairman of the Arab Asian Bank, is anything to go by. Asked by a fellow banker at the Asian Development Bank meeting in Manila whether he thought Kuwait or Saudi Arabia was likely to invest in such industries he said: "I believe our mentality in the Gulf is still that of the besieged Arab: we would rather buy a new television set if something goes wrong with the old one and we would rather buy a set from Japan than make it ourselves."

### Tighter Rules for Contracts

Kuwait has proved a tough business environment for international contractors. In early May, when a South Korean contractor Kong Yung put itself under voluntary court supervision because of liquidity problems, company executives blamed slow payments from Kuwait. On investigation, delayed payments stories often prove to be the result of contractors failing to perform to the letter of a contract. In Kuwait government officials make no secret of their rigid adherence to contracts. The early experience of development after independence in 1961 convinced ministries that inflexibility is the best way to ensure value for money.

Contractors allege that the Kuwaiti government, while in theory adhering to standard Federation Internationale des Ingenieurs Conseils (Fidic) contract clauses, often makes exceptions by way of exclusion clauses. These exclusion clauses, described by some foreign embassy officials as "unfair and arbitrary," have the effect of wiping out most of the advantage given to contractors by Fidic protection. Ironically, institutions such as the Kuwait Fund for Arab Economic Development (KFAED), in which the Kuwaiti government participates, are regarded as among the major champions of Fidic on the international scene.

It is said that Kuwait's experience with contractors from the Near East led them to adopt a hawkish line on contract conditions. In Kuwait the final decision making body on contracts is the central tenders committee, which invariably opts for lowest price, often

regardless of technical considerations. There have been instances recently of negotiated contracts, notably for a causeway to a border island, but these are regarded as the exception rather than the rule. The contractors see as regrettable the government's tendency to regard the lowest price bid as a "first offer".

Government officials agree that it is unlikely in Kuwait that any contractor would be able to vary the terms of a lump sum, fixed-price contract while it is being performed. They claim, however, that contractors are permitted to submit claims for compensation after a contract has been completed.

The biggest change in the construction industry in recent years has been the emergence of local companies. Among the prime names in Kuwait are wholly owned Kuwaiti companies such as Al Hani, A M Kharafi and International Contractors Group (ICG). These names frequently appear in international construction league tables. Kharafi was the flag bearer for Kuwait in overseas markets during the 1970s, having worked in Abu Dhabi, North Yemen and even Kenya.

Local firms have the advantage of knowing the market and the decision makers in ministries. Because of their local ownership their proprietors are often less concerned about a generous profit margin when estimating. They can also make use of trading associates to ensure that keen pricing is achieved on materials. Nevertheless government clients have been tightening up on contract conditions for local firms, having recently reduced initial advance payments for fear that local companies are using them for speculation on the stock exchange, although in fairness this allegation can also be levelled at some foreign contractors.

A feature of the construction market is a growing volume of private sector work. A villa for a wealthy Kuwaiti on prime land can involve expenditure of up to \$500,000 with the same again to be spent on land acquisition. A fashion is spreading among Kuwaiti developers for investment in commercial, residential and hotel complexes often incorporating underground car parks. These galleria complexes often cost between \$50m and \$100m, and almost by default most of the recent contracts have gone to the major local companies such as Kharafi.

The drive overseas has naturally led a number of Kuwaiti companies to seek work in Iraq. ICG, Fiafi and Musaed al Saleh are all working there, although a fall off in new projects has been reported since the beginning of 1982. The Kharafi contract in Kenya, notable because on a previous tender the project had gone to an Israeli firm, was for a \$16.5m building for the UN Environment

Programme headquarters. According to press reports Kharafi was underbid by three other Kuwaiti firms but won on the basis of "lowest evaluated bid."

Construction companies from Europe have been largely excluded from the market in recent years either because of low bidding by the Koreans or competition from local firms. Comparative costs by a UK consulting engineer in Kuwait show that European firms in 1981 bid \$1.19 for every \$1 bid by a Far East company. It was no surprise to find that the profit margins expected by a European contractor were also higher.

A loophole does exist in the market for foreign contractors interested in specialised construction work or in offering project management to local companies. An example quoted by a commercial attache at a European embassy in May was for a project requiring a large amount of specialist sub-soil engineering. "For a project requiring 1.8km of tunnelling under the water table the likely solution is that a British company will be brought into the project as a sub-contractor," Arabia was told.

The major prizes in the Kuwait contracting sector – the process engineering and capital equipment contracts – still go to companies from OECD countries. The contract for the Al Zour power station expected to be awarded in July will go to Japanese bidders since two major Japanese contractors have submitted lowest bids. The contracts are for KD107m (\$375m) worth of turbines and KD117m (\$410m) worth of boilers. The foreign exchange cover alone on these contracts, which are to be paid in KD as opposed to dollars, requires a considerable financing exercise. Local companies are also largely excluded from the petrochemical and refinery contracts awarded in the state sector. Kuwait's reputation at this level of the engineering business is high, and process engineering companies regard the country as continuing to be a good market.

### Gulf War Boosts Trade

The closure of the Shatt al Arab by war has brought about a boom for the Kuwaiti transport industry. Containers, heavy transport, trucks and freight handling systems are proving good business for Kuwaiti entrepreneurs. In 1981 Kuwait handled about 3.5m tonnes of cargo, a good proportion of it bound for Iraq on a national fleet of about 3,000 trucks.

Some observers say the cargo volume in 1982 will shrink, but Iraq's determination to

stage the non-aligned summit in September and the Baghdad fair in November may create a peak towards the end of the year. Even if peace breaks out, international salvage experts predict that it will be at least two years before the Shatt al Arab is cleared and Iraqi ports are working normally.

Kuwait is the obvious alternative to Basra and Umm Qasr, although some traffic is being routed through Aqaba in Jordan and transshipment at Damman and Bahrain is being done for some Iraq-bound cargo. The Saudi port authority has been particularly accommodating to the Iraqis, allowing them to run their own operations out of 30 berths at Damman. Kuwait has been obliged to restrict the transit trade, giving priority to ships carrying cargo whose ultimate destination was Kuwait. Berthing delays of up to 60 days have been reported, recalling the worst days of port congestion in the Gulf of the mid-1970s.

The Kuwaiti international freight company, Al Ghanim and Al Qutub Shipping agency, estimates, however, that Kuwait is handling 50 per cent of all Iraq's requirements. Al Ghanim operates a fleet of 825 12-metre trailers in addition to low bed trailers capable of accepting pieces of up to 500 tonnes. In 1981 Al Ghanim claims to have moved more than 2m tonnes of cargo by road from Kuwait to Iraq. Another 1 million was moved, through its associate in Jordan, Maltrans.

To cater for this vast tonnage, Al Ghanim operates a terminal at Messilah near Shuaiba port of 100,000 square metres, in which is situated a camp for 500 drivers together with full servicing facilities. The terminal houses the personnel of So-Mat, the State Transport Organisation of Bulgaria, which has 400 trailers in continuous operation under contract to Al Ghanim. There is also a second terminal at Fintas operated by MAN of West Germany with 100 trailers also under direct contract.

Maltrans in Aqaba has a terminal five kilometres from the port of 35,000 square metres, from which it operates a fleet of 100 trucks jointly owned by MAN and Maltrans.

With the sheer size of these two trucking operations Al Ghanim foresaw the need for back-up facilities and has accordingly stationed mobile homes at strategic points on the main routes to Baghdad from which emergency services can be directed as required. An Al Ghanim and Al Qutub spokesman told *Arabia*: "All possible assistance has been given by the government of Kuwait and Jordan to ensure the continuous flow of cargo to Iraq, and in this regard mention should be made of the priority given for foodstuffs, especially grain and frozen food imported through Kuwait."

## KFAED: The Leading Lender

Kuwait takes pride in its record as a donor of development aid to developing countries. The Kuwait Fund for Arab Economic Development (KFAED) established after independence in 1961 was for many years run by the present finance minister, Abdul Latif al Hamad. He gave way on his appointment to the cabinet in 1981 to the present director-general, Faisal al Khaled. In the 1970s Kuwaiti aid constituted a higher proportion of gross national product than it does today, but at four per cent of GNP in 1980 it still represents an impressive figure. In 1982-83 the Kuwait fund has had its allocation cut to KD30m (\$104.3m) from KD75m (\$260.8m) in 1981-82. This is less to do with any reversal of the fund's policy than with the fact that budget allocations made in previous years are still unspent.

What this reveals is nothing new. The limited absorptive capacity of developing countries has been commented on frequently by World Bank and other Arab aid fund officials. As it stands, 50 per cent of the aid disbursed by Kuwait in strict development finance is channelled through the fund. With an authorised capital of KD2bn (\$7bn) the fund plans to lend \$700m in 1981-82, compared with \$450m committed in the last financial year.

A characteristic package involves a long-term loan with an interest rate of four per cent for 15 years, with a grant element of up to 50 per cent of the total amount. Lending is project-related, and there is an increasing preference at the fund for co-financing. The Kuwait fund is well known to other aid agencies such as the Opec Special Fund and the World Bank agencies.

Dr Bader al Humaidi, director for operations at the Kuwait fund, says that as much as 60-70 per cent of the fund's total commitments are now expressed as co-financing proposals. The fund's total commitments amount to more than \$3.4bn and cover an increasingly wide geographical area. Before the 1973 war only Arab countries benefited from the fund. After 1974 Africa and Asia were added, and since then loans have also been made to Australasia with Papua New Guinea a beneficiary. The percentage breakdown for geographical areas suggests that 57 per cent of the fund's lending is to Arab countries, followed by Asia with 27 per cent and Africa with 15 per cent. Other countries such as Cyprus have had Kuwait fund aid and a move into Latin America is expected, although in common with other Arab aid funds little

enthusiasm has been expressed so far.

The Kuwait fund does not give balance of payments assistance. This is dealt with on a bilateral basis by the ministry of finance, which also handles Kuwait's share in other aid agencies. The best known of the funds supported by Kuwait is the Kuwait-based Arab Fund for Economic and Social Development. International contractors are often interested in the possibility of working on projects supported by the Kuwait-based funds since by and large the Arab funds follow standard international contract practice. The funds discourage direct approaches from contractors since they prefer companies to make contact with the ministries in loan recipient countries.

Kuwait's aid effort also has a human face. Many private Kuwaiti businessmen are involved in doing business with developing Arab and African countries. Jamal Samerai is a Kuwaiti whose family originated in Iraq in the 19th century. His company, Oriental Import, specialises in dealing with East Africa. As he sees it, capital is the major asset Kuwait has to offer developing countries. "Our major asset is the fact that we can mobilise quite a large amount of money whenever we need to," he told *Arabia*. Samerai would like to see more private sector Kuwaiti involvement in projects in developing countries: uranium ore in Niger, iron ore mining in Mauritania and agricultural schemes in Somalia. His argument sounds like an African finance minister's dream. So where is the snag?

As Samerai puts it, the problem lies in management. "The biggest inhibition in promotion of development in the Third World is in ensuring adequate management for projects.

To quote but an example, we have been trying for the last few years in Somalia to set up a major unit. There is no shortage of money or interest on our part, but how can we ensure that projects are properly run? We have tried approaching the multinationals but they shy away from investing, say, \$1m in a management team for a country such as Somalia, Sudan or Niger.

"The Arab summit conference in Amman allocated \$5bn to be spent in the poorest Arab countries. We contacted about 500-600 companies listed in the *Financial Times*' 'Who's Who of Major Companies,' and we have received a very poor response. Despite the official encouragement given to these companies by their governments to undertake projects in developing countries it seems that their interest is low.

"Obviously as private businessmen we can't be as big as governments or a multinational and so when we have a project – in view of our limited management resources – we would like to involve a western company from Europe or Japan.

"From our own tradition we are Africa bound. As far as the Far East is concerned the only real connection we have there is with


India and Pakistan. There is a much closer affinity for us in Kuwait with Somalia and Sudan. To invest in India and Pakistan you need at least 20 lawyers. An investment proposal in a country such as Somalia can have the advantage of flexibility – they are prepared to amend investment laws to accommodate an Arab proposal."

CSO: 4400/392

## ISRAEL'S INVASION, U.S. RESPONSE SCORED

London ARABIA in English No 11, Jul 82 pp 6-8

[Article by Peter Mansfield]

[Text]  How anyone can now doubt that Mr Begin, his cabinet and his generals are a danger to world peace on the same scale as Hitler and Mussolini is beyond comprehension. Argentina's General Galtieri is not remotely in the same league. After massive air-raids, Israel has launched a full-scale invasion of a neighbouring country, slaughtering hundreds of civilians and terrorising the population. It has brushed aside UN peace-keeping forces and contemptuously dismissed the UN itself. Only South Africa can bear comparison, but beside Israel it appears cautious and restrained.

Outrage and a sense of inevitability do not prevent us from asking certain questions. What decided the Israelis to invade on June 7? Have they gone further than they originally intended and what are their long-term objectives? Did they mean to be so careless about provoking Syrian involvement? Finally, the question that must be asked – if only because many Arabs have already answered it for themselves – were the Americans privy to the whole affair? (In other words, did they behave like Anthony Eden in 1956 or President Johnson in 1967 – giving the Israelis the green light while covering up their collusion?)

Any suggestion that Israel's invasion was sparked off by the attempted assassination of its ambassador in London on June 3 is of course rubbish. The Israelis soon dropped it even as a pretext, although the western media and British MPs kept it up for rather longer. Instead the Israeli spokesmen now talk with remarkable uniformity of "150 ceasefire violations" since last July and 24 deaths. No one is in a position to question or verify these figures, but, as Britain's Minister of State for Foreign Affairs Douglas Hurd pointed out in the House of Commons on June 9: "As regards

artillery and rocket attacks from the PLO across the border, there were no attacks between implementation of the ceasefire in July 1981 to May 1982 when the Palestinians responded to Israeli air attacks on their positions in Lebanon."

One might add that these Israeli air attacks of last May, in which scores of civilians died, were supposed to be retaliation for the death of an Israeli officer who stepped on a mine, which may or may not have been planted by the PLO inside Lebanese territory.

In fact, as *The Times* said on June 10, "most of these incidents (that is, the alleged 150 terrorist attacks) occurred in the occupied territories, that most of the victims were not Israelis, and that during the same period quite a number of civilians have been killed in the occupied territories by Israeli troops." In fact the "24 dead" presumably includes Palestinian schoolchildren shot by Israeli troops or settlers. One always imagines Israeli effrontery can go no further, but it invariably does.

In fact, Israel's decision to invade Lebanon was taken many weeks ago. Defence Minister Ariel Sharon, a majority of the cabinet, the chief of staff General Rafael Eytan and nearly all the senior generals were in favour. Only a minority – although a powerful one – in the cabinet had doubts and these were chiefly due to uncertainty about the American reaction.

Sharon and Eytan tried to force Begin's hand in mid-May by assuring the (Jewish) heads of the Galilee councils that the ceasefire was already dead and that it was only a matter of time before hostilities were resumed. They hoped in this way to create public pressure for the invasion. The chief hawk among the council leaders, Yossi Goldberg, mayor of Metullah near the Lebanese border, even demanded to see Begin to argue the case for

war. Begin, as might be expected, reacted sharply against this attempt to pre-empt his powers of decision. But it was only the timing that was in question and not the decision itself.

Opposition in the Knesset and the country as a whole and the precarious size of Begin's majority could be discounted. On the contrary, the latter is a positive incentive, because Begin has discovered that hawkishness has increased his popularity and undermined the labour opposition which can only follow limply in his footsteps.

The timing, then, was unimportant. "Ceasefire violations" could be used as a pretext at any time. But there were still questions to be considered for the Israelis about both strategy and longer-term objectives. There is good evidence that some of the Israeli generals saw the matter in simple terms – as the military often do. For them it was just a question of destroying the military potential of the Palestinians once and for all.

The 1978 invasion of South Lebanon was a disappointment for the Israeli military. It kept the northern frontier generally quiet for three years, but this was not the point. The PLO fighters mostly escaped northwards and returned as soon as the Israelis were forced to withdraw under international pressure. The PLO was able to reinforce its presence in Lebanon and strengthen its military and civilian organisation.

It is true that the PLO's position was in some ways also more precarious than before. The Israelis withdrew but left behind their own satellite in Saad Haddad's Christian mini-state, while the increasingly militant Lebanese Shia militia Amal also showed growing hostility towards the Palestinians. But all this was outweighed in Israeli eyes by the fact that the Palestinians still enjoyed a high degree of autonomy in Lebanon to back up their constantly growing international stature. The culmination of this trend was the US-sponsored ceasefire agreement of last July in which, despite Israel's angry denials, the principal parties were the PLO and Israel.

The principal Israeli aim is therefore to reverse this trend which was making Israel's denial of the PLO's leadership of the Palestinians look increasingly absurd. At this moment it is not possible to say how successful they will be in military terms. Certainly Palestinian resistance has been stronger than they expected: Israeli casualties have been substantial, requiring some official lying which of course only increases the anxiety of the Israeli public. House-by-house street fighting will be much bloodier. On the other hand, the very fact that the Palestinian fighters have stood their ground more than in 1978 means that they are risking destruction.

Supposing the Israelis are successful in their own terms, even at heavy cost, the question remains as to what they do next. To withdraw in favour of a much expanded Unifil which would be capable of covering the entire Lebanese-Israeli frontier hardly seems feasible. After Israel's contemptuous treatment of the UN in this affair (an Israeli officer's reference to the "marijuana-infested Dutch contingent" is a sample of the Israeli attitude), it is highly unlikely that the necessary countries will be found to provide extra troops except on terms which Israel would not accept. To start with, one condition would be the liquidation of Haddad's mini-state to enable the Lebanese government to establish its authority over the whole of its territory – something which Israel has prevented.

The alternative would be a prolonged Israeli occupation of Lebanon and all foreign correspondents in Israel seem agreed that the Israelis are prepared for this. But it would create problems. In the first place it would require a very large force to hold down the whole of the southern half of the country. Guerilla attacks would no doubt continue, and even the Israelis in their present mood might balk at the brutality they would have to use.

Infinitely indulgent though the Reagan administration might be, the US could hardly support such an action while the European countries have at last shown signs of plucking up their courage to consider sanctions. It is particularly significant that President Mitterrand, who may have a special relationship with Israel but also has to consider that France has unique ties with Lebanon, has taken the lead by cancelling Franco-Israeli economic talks.

However, it is the attitude of the Lebanese, in their multifarious groups, and of the Syrians, which is of greater importance in the near future. Perhaps the Israelis were misled by Saad Haddad into believing that all Lebanese factions who were not actually allies of the Palestinians and had at some time shown resentment of their presence in Lebanon could ally themselves with Israel to drive them out.

Amal soon showed that this was not so. If some of the Lebanese Shiites are unsympathetic towards the Palestinians, they detest the Israelis. This was to be expected, even if many of them were not supporters of the Islamic revolution in Iran.

Bashir Jamayel and his Phalangist militia would seem more likely allies for the Israelis. Many western correspondents assumed that Israeli strategy would be to link up with their enclave north and east of Beirut and that together they would achieve their common declared objective of driving both the Palestinians and Syrians out of the country. So far, the Phalangists have shown caution about

falling into such a fatal trap. No doubt some of their leaders are attracted by the idea, but others are more aware of what it would mean to become an Israeli dependency surrounded by an implacably hostile Arab world. Danny Chamoun, son of ex-president Camille Chamoun, sensibly remarked on British television on June 9 that the Lebanese Christians would not want to jeopardise the position of the tens of thousands of Lebanese whose livelihood depends on their work in the Arab states.

But what of the Syrians? The Israelis had the twin objectives – which could well turn out to be incompatible – of forcing the withdrawal of the Arab Deterrent Force and avoiding a full-scale war with Syria that would create an international crisis involving the two superpowers on the scale of the 1973 war. But one can only say that the Israelis have been extremely careless about this second objective.

The Syrians clearly did not want to be involved – a small but significant indication was the strong official Syrian denials of any connection with the Abu Nidal group as soon as it was suggested that Abu Nidal was responsible for the assassination attempt against the Israeli ambassador in London and the Israelis looked like making this a *casus belli*. The Israelis have piled one humiliation of the Syrians on another – even to the extent of dropping leaflets calling on them to surrender and abandon Beirut, a technique as unlikely to be successful as in the Falklands. It now seems that Begin is making one of his several conditions for withdrawing the complete removal of the Syrians from Lebanon. It is hard to see how President Assad can agree and retain any credibility in his claim to be the chief protector of the Palestinian cause.

It is Syria among the Arab states which faces the most immediate and appalling dilemma as a result of the Israeli invasion. Other Arabs are also gravely embarrassed. Iraq has been made to realise more sharply than ever the

tragic consequences of its throwing its considerable military strength against Iran instead of the Zionist enemy, although there are signs that it is hoping to use the crisis to extricate itself from the war. President Mubarak is deeply embarrassed. If he still tries to keep Camp David alive he will stand accused of sharing Begin's aim of liquidating the PLO.

Perhaps those who are most appalled are the Arab Gulf states, led by Saudi Arabia. In a statement on June 8 the Islamic Council of Europe said, commenting on Saudi Arabia's urgent appeal to the Muslim world to mobilise its resources to save the Palestinians: "The fact is that Saudi Arabia is allowing its immense resources to be used by the United States, which builds up the Israeli war machine and funds its aggression."

The attitude of the US is exasperating almost beyond endurance. The familiar pattern which we saw after the Israeli bombing of the Iraqi nuclear reactor and the annexation of the Golan Heights is already repeating itself – initial condemnation followed by back-tracking. The US veto on June 8 of the Spanish resolution in the UN Security Council on the grounds that it was not balanced enough (when it merely repeated in slightly stronger terms an earlier resolution for which the US voted in favour) reached new heights of folly or cynicism.

It is no surprise that millions – not only Arabs and Muslims – are convinced that the Americans connived with the Israeli invasion, telling them to go ahead and not to bother about US public disapproval, because it would not be given any teeth. While admitting that this is a perfectly rational explanation – almost certainly it is what President Johnson did in 1967 – I would still give the Americans the benefit of the doubt in this case. But only when the Reagan administration proves that it can stand up to the manic aggressor who is prime minister of Israel will this confidence be justified.



ISKANDAR SPECULATES ON CONSEQUENCES OF WAR

Resources Wasted on War

Paris AN-NAHAR ARAB REPORT & MEMO in English No 24, 12 Jul 82 pp 1-2

[Article by Marwan Iskandar: "Looking Beyond the War in Lebanon"]

[Text]

In the immediate future, the most important question for Lebanon and the Lebanese in terms of the country's economy is what will happen once Lebanon has passed through its Purgatory of fire. It is obvious that much will depend upon the settlement that is finally accepted or imposed in Lebanon. But the course of things to come is likely to be affected to a considerable degree by the manner in which the Lebanese themselves contribute in the end towards a solution that restores to the country its independence and freedom of decision. In the meantime, however, there are major lessons to be learned from what has happened both for the Middle East as a whole and for Lebanon in particular.

What is undisputably the most important conclusion that is to be drawn from developments since 1973 is that the Arabs have used their resources in a non-productive fashion and that they have wasted billions of dollars upon armaments that were never used or upon weapons systems which were not properly mastered by the Arabs. Since 1973 Syria has received some \$15 billion in Arab aid for its military forces and no less than \$10 billion has been provided to the Palestinians during the same period. In addition, Arab Gulf countries have assisted Iraq in its war against Iran to the tune of about \$30 billion.

What have been the results? No progress has been made towards winning the war in the Gulf but, on the contrary, there have been significant setbacks. In Lebanon, the \$25 billion spent on armaments by Syria and the Palestinians could not stop Israel's five-day advance or for that matter constitute a serious challenge to Israeli forces. So if one tots up the costs of the Gulf war and of the war in Lebanon and evaluates the results, it is clear that the misuse of

weaponry and the psychological attitude of Arab fighting men as they went into battle have caused the greatest damage to their own people. At the rate of wastage that has been witnessed, all of the resources of the Arab world and even the Arab oil that is still underground would not guarantee that the Arabs would win a war against Israel.

The obvious lesson that needs to be learned from this is that the Arabs must re-examine their tactics and, first and foremost, develop the faculties of the individuals who will utilise the implements of war and of peace. For as long as the average Arab remains ignorant or, worse still, is semi-educated, the achievement of worthwhile developmental or political goals will remain an impossible task. And it should not be forgotten in this context that meaningful education requires freedom, a concept that has been stamped out in the Arab world.

The challenges in Lebanon will be easier to overcome than they will be in the rest of the Arab world. This is because the foundations for peace and security will have to be laid down before the crisis can end. And with security, peace and firm government, Lebanon can prosper once again within a matter of years. The hundreds of Lebanese who have done well in the oil-rich Arab states want to take part in rebuilding Lebanon. They will commit part of their resources and, in certain instances, all of their resources to carry out viable projects and activities in Lebanon. It would be no exaggeration to assert that one could expect not only to see Lebanese pouring money into the country by the end of the year but also to see a massive return of foreign businesses and businessmen who could not find an adequate substitute for the facilities they used to enjoy in Lebanon in neighbouring countries or even in Europe.

There will of course be obstacles that will thwart or distort the intended thrust in Lebanon. But with peace, there is no doubt that the trend will be upwards. And one of the main features of a prosperous Lebanon would be a strong army, growing to around 60,000 men in 1983 and thence to 100,000 in 1985. It would be a well equipped force which is confident of its ability to subdue any challenges from within and to inflict serious damage upon those who would challenge Lebanon from outside its borders. The Lebanese have learned that peace of mind and the freedom to make their own decisions have to be paid for; previously, other Arab countries or groups have been able to mount challenges that annulled the Lebanese authorities' freedom of decision.

Another factor that will be important in shaping the economic future of Lebanon will be the terms of a

peace settlement with Israel. In this respect, much will depend upon Syrian reactions. Economic exchanges between Lebanon and Israel can thrive only if Syria does not institute a boycott of Lebanon or impose restrictions on Lebanese exports and over-flights. And even if Syria chose to be difficult, Lebanon will probably be able to sign a peace treaty with Israel that would overcome Syrian restrictions if Jordan joins those Arab countries which make peace with the Israelis. In essence, therefore, peace between Lebanon and Israel has to be supplemented by a peace with Syria and/or Jordan. Neither possibility is as remote as it might seem to be and the evolution of events could very well surprise observers in the Middle East.

But irrespective of what has been discussed here so far in general terms, what happens in Lebanon will continue to depend upon the attitudes and the comportment of Lebanese politicians. If they should persist in their previous attitudes there will certainly be a popular reaction that would sweep out-dated politicians into enforced retirement or worse. There are signs, however, that some of the older politicians are acting more wisely and some of the younger leaders who have gained prominence during the years of war are growing more tolerant. The fusion of both these trends could provide Lebanon with what is politically needful for the 1980s.

The eight years that still remain of the decade could well see Lebanon growing in a way that outstrips the dreams of the 1970s so that Lebanon indeed becomes the Switzerland of the Middle East — with a bit more life and joy than Switzerland has on offer.

#### Israel's Motives

Paris AN-NAHAR ARAB REPORT & MEMO in English No 24, 12 Jul 82 pp 2-5

[Article by Marwan Iskandar: "What Lies Behind the Israeli Invasion"]

[Text]

The timing of Israel's decision to invade Lebanon was determined by developments in the Gulf war which favoured Iran. The US altered its strategy in the Gulf after Iran shifted from a defensive posture against Iraq and launched successful offensives against the Iraqis. As a consequence, the US encouraged an Israeli attack on Lebanon to achieve three major objectives. The first of these was to break the military resistance of the Palestinians; the second was to discredit Syria's fighting ability and to inflict heavy losses on the Syrian armed forces; the third objective was to open the way for progress along the lines of the Camp David peace process by making a peace treaty inevitable between Israel and Lebanon.

The reasons for the American decision are clear.

Had Iran been able to topple the Iraqi and, régime in cooperation with Syria, to replace President Saddam Hussein and his fellow Baathists with a leadership loyal to Ayatollah Khomeini, a new strategic line-up would have emerged in the Gulf which would be anti-Western in its outlook. A coordination of policies by Iran, Iraq and Syria would have produced a political bloc in the Gulf more populous than Egypt, richer in resources than Saudi Arabia and more strongly bound to the Soviet Union than ever before by virtue of the Syrian-Soviet security pact, a revived friendship treaty with Iraq and expanding economic exchanges between Iran and the Soviet Union which involve increasing quantities of Iranian oil and gas.

Such coordination and cooperation between Iran, Iraq and Syria would have meant an end to the Camp David process and the principle of self-rule for the Palestinians on the West Bank in the form that this is accepted by Israel. As a consequence, the US wanted to restrict the role of Syria in the balance of war and peace in the Middle East while at the same time immobilising Iran in its war with Iraq by having Israel withdraw its strategic and tactical support for the Iranians. All of these objectives have been achieved.

Syria's forces demonstrated their great weakness in the face of the Israelis even though Syria has obtained more than \$15 billion since 1973 from the oil-rich Arab countries to purchase military equipment and to prepare for its role as the leading confrontation state. As a consequence, the illusion of a Syria capable of standing up to Israel, no matter how unreal this Arab hope may have been, was wiped out in two days of fighting and after the loss of 102 Syrian aircraft against the downing of one Israeli jet. What is more, Syria suffered massive losses of tanks and other armoured vehicles and the only successes scored by the Syrians occurred when they used French-made helicopters armed with anti-tank missiles.

At the same time, Iran's ability to wage war has obviously decreased. On the one hand, Israel's withdrawal of necessary supplies for the Iranian air force and armoured divisions has taken its toll. Meanwhile, Ayatollah Khomeini does not wish his generals to be too successful in case this should cause them to return to Tehran with ambitions to replace the *Mullahs* who have been strengthening their hold on the country's political life. In addition, Iraq's withdrawal to its border has left Iran as the winner of the war and the Iranians now have no justification to enter Iraq except to exact retribution.

It also seems that popular pressure is now being exerted in Iran to revive the country's economy and to resume economic growth. Iran has suffered

tremendous economic damage during the war but is now earning sufficient revenue to be able to push ahead. And if this revenue were to be supplemented by massive payments from oil-rich Arab countries which are frightened of Iran, then that country's economic prospects could become rosy once again. Iran is after all the most populous state in the Gulf and is arguably also the richest.

As has been pointed out above, American objectives in Israel's war in Lebanon have been achieved. The questions now are what were Israel's objectives and do these coincide with those of the Americans. Or do they present an additional set of constraints on a resolution of the Middle Eastern problem?

The Israelis wanted first and foremost to break armed resistance by the Palestinians in order to establish more favourable conditions for the acceptance of Israel's ideas of autonomy by Palestinians on the West Bank. What has happened would not permit an immediate return to this formula, but it is not idle speculation to expect to see the Israelis seeking to implement it by early 1983.

The Israelis were ready to lose up to 500 of their soldiers if this should be necessary to clear the stage in coming years for an implementation of the Camp David agreements without having to submit to moral and military pressures from the PLO. In fact, the Israelis were able to damage the Palestinians in two ways. First, they have killed over 2,000 Palestinian guerrillas and taken another 5,800 or so prisoner. At the same time they have captured perhaps 90 per cent of the Palestinians' heavy artillery and mobile rocket launchers in addition to destroying or capturing an equal percentage of Palestinian armour. What was astounding was the extent of Palestinian arms. According to the Israelis, the equipment they have captured intact or in good working order can be sold on the international arms market for at least \$1.5 billion, which exceeds the direct costs of Israeli operations in Lebanon up until this time.

The second objective was more subtle. It was to create the psychological climate in which the Palestinians would be rejected by the leftist forces and the Muslim population of Lebanon. In this, the Palestinians undoubtedly helped the Israelis to achieve what they wanted.

During the evening of June 7 the Palestinians became aware of the fact that the Israeli army had consolidated its positions in Tyre, Sidon and Damour and in the mountains contiguous to these towns. That was when PLO Chairman Yasser Arafat ordered the Palestinian fighters in the two main camps in Beirut to

disperse to residential buildings in West Beirut and especially to those overlooking the seashore where the Israelis could effect a landing. Some 4,000 to 5,000 Palestinians took over the basements of no less than 400 buildings inhabited by about 5,000 families and transformed these buildings into military strong points.

Most of the families living in buildings taken over by the Palestinians saw no option but to leave their homes. Following their departure, some two-fifths of the apartments they had vacated were occupied by displaced Lebanese from the South and by Palestinians who fled from the refugee camps because these were seen as certain targets for Israeli air strikes.

The way in which the Palestinians forced Lebanese civilians to choose between their homes or their lives generated psychological and political pressures which were reinforced by public pronouncements by Palestinian leaders challenging the Israelis to enter Beirut. As a result of these pressures, Lebanon's National Movement of leftist and Muslim groups disintegrated. Pro-Syrian factions sought anonymity after the cease-fire agreement between Syria and Israel; the Shiite Muslim Amal movement, which has the largest number of Lebanese militiamen on the National Movement's side, meanwhile prevented the Palestinians from erecting fortifications and gun emplacements in areas under Amal's control; the party headed by Walid Jumblatt, the acknowledged head of the National Movement, was embarrassed by the way in which Israel had taken without a fight the Shouf district which is Mr Jumblatt's fiefdom.

In brief, the National Movement factions failed both to curb the Palestinians and to organise life in west Beirut under wartime conditions. This led to a call by factional leaders for the Lebanese army to enter west Beirut to protect the only part of the city still intact after the destruction of the commercial heart of Beirut in 1976 and part of the Christian quarters of east Beirut as a result of Syrian bombardments in 1978. This appeal came from the same leaders who had opposed vehemently any such move by the Lebanese army only six weeks earlier and a consequence is disillusionment among Lebanese citizens who no longer have faith in the various factions of the National Movement or in the Arab countries and their ability to stand up to Israel.

Among the many signs of the National Movement's disintegration are the presence in Damascus from June 10 onwards of many hitherto aggressive leaders of the bloc. The deputy leader of the Nasserite Mourabitoun Party meanwhile took refuge in the Christian area of Lebanon and innumerable personages who were staunch opponents of the Lebanese army a few weeks ago are now refugees in

east Beirut, where the Christian majority had opted against a Palestinian military presence and had resisted this presence with arms and at great cost in human life since 1975.

The Israelis have also played on the disillusionment of the Lebanese Muslims vis-a-vis the Palestinians and Syrians by establishing a measure of security and law in areas under complete Israeli control. They have for example adopted procedures to make sure that the owners or lessees of apartments are the persons who are occupying these properties. Thousands of Lebanese have thus regained property previously considered as lost to armed factions which had appropriated them on the pretext that they were needed for military purposes. More often than not, the real motive was sheer vandalism. This Israeli policy has begun to bear fruit among the thousands of families who have left Beirut for their original homes in the South and in the Shouf and who have since established good working relations with the Israeli occupying forces.

In addition to the moral lesson, this policy points to the possibility of broader relations in future between Lebanese and Israelis. This is something that the Israelis certainly desire and such relations are discussed in the Focus of this issue on expected future developments in Lebanon.

As this is written, Israel has solid control of all of Lebanon from the country's southern border to the southern periphery of Beirut International Airport. What is more, Israeli forces approaching from the east and the north can be inside west Beirut by moving no more than 1,000 metres. And the dispersal of Palestinian forces into groups of five or 10 men without sophisticated means of communication between these groups means that the Israelis could enter west Beirut without encountering concentrated resistance. Contrary to the expectations expressed by many others, Israeli losses in such an attack would not be staggering and it is more than likely that the small groups of Palestinians would choose to avoid fighting the heavy Israeli armour that would certainly be deployed against them.

The Israelis have held back from entering west Beirut because of American pressure and also because the Israelis feel that the Palestinians want a way out that does not entail mass suicide. But the present situation cannot drag on beyond the current week, when the issue will be resolved in one way or another. If it is settled by fighting, our estimate is that Palestinian losses will be great, that Israeli casualties will be limited and Lebanese losses of lives and property immense.

If the Palestinians should leave west Beirut with

their armed forces to go to another country, the ground will then be prepared for diplomatic negotiations concerning the future. In the meantime, Israel has neutralised Syria, which is no longer the source of pressure that it was upon the oil-rich Arab countries which have financed the Syrians and Palestinians on a lavish scale in the past. For the first time in years, Syria's Foreign Minister was turned away by King Fahd when he went to request financial support from Saudi Arabia after the cease-fire. What is more, and possibly for the first time, six Arab Foreign Ministers meeting at the Saudi Arabian summer capital at Taef were told the blunt truth by Bashir Gemayel, the young leader of the Christian Lebanese Front. Syria's Abdel Halim Khaddam was there, but this time it was to plead Syria's case rather than to impose policy by adopting the aggressive attitude he had used before.

For practical purposes, the war is at an end and there is now no one who disputes the belief that the patience of the Lebanese over the impotence of their leaders, over the lies on behalf of their protectors and over endless compromises has certainly reached its end.

#### Profile of Bashir Jumayyil

Paris AN-NAHAR ARAB REPORT & MEMO in English No 24, 12 Jul 82 p 3

[Article by M. I.: "Bashir Gemayel: A Profile"]

[Text]

At 34, Bashir Gemayel has become the strongest political leader in Lebanon. Today, his demands for a total withdrawal from Lebanon of the armed forces of both Syria and the Palestinians have become aims which are espoused both at home and on the international stage. Somehow, the projections made by Mr Gemayel have proved to be correct and he has surfaced as the most important and powerful political leader in the country. But to most people — and these include his most prominent enemies — he is not well known.

In 1976, *An-Nahar*, Lebanon's leading daily newspaper, reported that Bashir, the youngest son of Phalangist Party leader Pierre Gemayel, had been detained by the Palestinians and then released after 24 hours. Asked for his impression of Bashir after a four-hour session with the Gemayels, former Premier Salim al-Hoss replied: "I don't know. The man never spoke."

These incidents say a lot about Mr Gemayel's character. He is a very quiet person and is even a little bit shy. He rarely steps forward during discussions. His principal characteristic is that he is



a man of action. Once he is convinced about his course of action, there is no stopping him. To some observers, this is the essence of his ruthlessness; to others, it is the cause of his appeal and his charisma. The young and well trained fighters of the Phalangist forces give him undivided allegiance.

This is due in part to the clarity of the positions which he adopts and partly to his readiness to be in the front lines when a difficult mission needs to be undertaken. All who know him admire the way he acted when his baby daughter was blown up by a bomb intended to kill him. He visited the families of the bodyguards who died with the little girl before he would accept the condolences of others and he went on to say that his loss was the same as that of thousands of Lebanese fathers and mothers who lost their children in the Lebanese war.

Mr Gemayel is a lawyer who graduated from Beirut's St Joseph University and then trained in the US for a Master's degree in comparative law. He enjoyed a good reputation professionally and older colleagues with professional links to the Palestinian cause concede that he is beyond reproach insofar as his integrity is concerned. And they add that he is normally a nice person to know as a friend.

During his sojourn in the US he learned the importance of organised public relations and he has used this political tool very efficiently despite his reticent manner. Other Lebanese leaders acknowledge his achievements although they fear his ties with Israel and the intense way in which he acts. At present, he is demonstrating both patience and tolerance in his dealings with the Lebanese, perhaps with the goal of becoming President of Lebanon when elections are held later this year.

Whether Bashir Gemayel becomes President or not remains to be seen. But it is certain that Lebanon will not be able to regain any of its lost identity if this young, shy but determined man is not controlling a number of the country's most important nerve centres.

CSO: 4400/391

## PSYCHOLOGICAL EFFECTS OF WAR ON LEBANESE DISCUSSED

London ARABIA in English No 11, Jul 82 pp 84-85

[Text]

There is a tabby cat that sleeps between the teleprinters of Associated Press and United Press International in the Commodore Hotel in the Hamra district of Beirut. No matter that the two machines are clacking in a frenzy of apocalyptic world news – the tabby sleeps soundly.

At the same hotel – a favourite with western journalists since the St George's was destroyed during the civil war – there is a parrot that does a fair imitation of the whistle of a bomb. The parrot shrieks from his cage next to the Commodore bar, where reporters meet after filing another story on the bloody, seemingly insoluble puzzle that is Lebanon.

In a way, the cat and the bird exemplify two ways in which the Lebanese deal with seven years of war and anarchy; withdrawal from society by one escape or another, or diffusing trouble by mimicry or a wild sense of humour.

Consider the Lebanese minister of information, Michel Edde. When asked in April if he had any information on what the Israelis would do with their 40,000 troops massed on the Lebanese border, Edde's eyes blinked with a nervous tic as he replied, deadpan: "Yes, I have been in touch with Mr Sharon early this morning..."

Dr Samir Khalaf, a prominent sociologist at the American University of Beirut, has just conducted the first comprehensive survey to determine the effects of protracted chaos and war on Beirut residents.

His initial work was on professionals such as engineers and doctors. "A large segment of this group is very resilient," says Khalaf. "In some ways, those who have chosen to stay have become more attached to Lebanon. But also, resentments are sharper, especially against the Syrians (who form the majority in the Arab Defence Force stationed in Lebanon as a 'peacekeeping' body).

"In many ways, people's reaction to stress is quite normal, considering the breakdown in

law and order," Khalaf continues. "They eat more, drink more, sleep more. They jog along the Corniche to work off tension in the morning – you never used to see that. They withdraw from society and isolate themselves in their communities, in their homes.

"If people could say, 'in a year or two, we shall be able to make a viable, peaceful society out of this mess,' they could probably accept better what is going on, but there is no sign of that happening. There is not even a national cause, a national symbol around which people can rally and set aside their differences.

"Unfortunately, the very factors that kept us going during the civil war – the individualism and resilience of the Lebanese people – are the same factors that are now eroding our civility. It is a case of every man for himself."

The tale recounted by a Lebanese architect backs up Khalaf's theory. "I make myself whomsoever people would like me to be," the man admits. "If a Muslim talks to me, I answer back in a Muslim accent. If it is a Christian, I use a Christian accent. You learn to know both. If a stranger speaks French, then it is French; if English, then English. What are nations? What do they matter? Survival is the key. For that, I am nothing and yet everybody."

Recently the architect found his sister being harassed by one of the dozens of militia gangs that patrol their separate neighbourhoods in Beirut. "My first instinct was to attack them, but they had guns," he said. "I made some jokes and they laughed and released her. Everyone in Lebanon is a diplomat."

Since the outbreak of civil war in 1975, in which 60,000 Lebanese are known to have been killed and an estimated 600,000 (one fifth of the country's population) are said to have fled to other countries, the strain of war has taken a heavy toll. According to a recent article in the *Los Angeles Times*, written by a

Beirut-based reporter, three psychiatrists who set up practice at the American University of Beirut Hospital last year were so swamped with patients that they themselves nearly cracked under the strain. They left Lebanon.

These strains are obvious from the minute a visitor steps off the plane in Beirut. Two tall Lebanese soldiers form a barrier with their M16 submachine guns through which arrivals must pass.

In West Beirut there are Syrian, Palestinian and Lebanese checkpoints as well as those manned by the various neighbourhood militias estimated to comprise 40 different groups. A car must stop on average once every four blocks.

Before the aerial bombardments that accompanied the Israeli invasion in early June, the spate of car bombs in the city was also a major source of psychological stress. In the first three months of 1982, no less than 125 people were killed by them. The run-up to the invasion was equally distressing: the PLO had twice announced it as imminent before it actually took place.

One western journalist, a long-time resident of Beirut, said that the prevailing attitude when the invasion seemed likely in April was, "Let it happen now, because the tension is unbearable." It did not happen then either, but two strategic bombing raids by the Israelis did little to help Lebanese morale.

So people withdraw or they make a living as best they can. A former Lebanese journalist, disillusioned with the whole situation, has joined his wife in a thriving business venture—home movies. Few people risk going out at night, so home entertainment means business.

One Lebanese teacher who, after trying to live in Baghdad for four years, came back to West Beirut and refuses to leave again, keeps herself occupied with jigsaw puzzles of pastoral scenes from 19th century Europe. Her two small boys run helter-skelter through their small flat in a building partly occupied by displaced refugees. One of the children likes to bite visitors. The trouble with the puzzles, the woman says, is that there is no running water in them. Her remarks reflect yet another Lebanese preoccupation—the breakdown of basic services.

There is no way to calculate the number of manic depressives, schizophrenics, psychotics and the like in a country that has fallen apart. Statistics are not available, hospital care limited.

Umm Jihad, director of the PLO's department of social services, says that of the 45,000 families helped by her department—Lebanese and Palestinians alike—few are treated for mental illness. "We have no mental hospitals here in Lebanon," she explains. "They cost too much money and our first priorities are physical wounds."

CSO: 4400/391

## BRIEFS

MOROCCAN-U.S. AGREEMENT ANALYZED--At a distance from the factors of the Sahara dispute, AL-MUSTAQBAL can confirm that Morocco got American guarantees for supporting its position on regaining the cities of Ceuta and Melilla which are under Spanish occupation. This issue was one of the basic topics of the talks which the Moroccan monarch held with President Reagan during his recent visit to the United States. Spanish diplomatic circles in Rabat told AL-MUSTAQBAL that those guarantees had been linked with a final solution of the Gibraltar problem in favor of Spain, a solution that is still swinging back and forth in the Spanish-British negotiations. While some quarters have drawn a link between Spain's entry into NATO and the articles of the military treaty concluded between Morocco and Washington, placing the strategy on the level of relations between Madrid and Rabat does not encompass the significance of the American-Moroccan military agreement for one basic reason, that is, that although Morocco had insisted that it be treated as a friend of the United States receiving the same concessions as part of its security policy, it views its treaty with Washington as the very core of its national obligations. In this context, well informed American circles leaked that Morocco was cautious with regard to any interpretation that would make its military movements support American strategy if that policy were in conflict with its national and pan-Arab interests. Although some quarters viewed Morocco's stress on the secrecy of the treaty as a prime arena for interpretations, Morocco, which is waging a war against the POLISARIO Front, views the matter as totally a domestic issue lest it find itself in a direct confrontation with the American Congress some members of which are taking a hard line toward American policy in northwest Africa. It merely defined military requests which it viewed as adequate at this stage. In this context as well, AL-MUSTAQBAL has learned that as part of the military treaty with Morocco, and in a special clause, the American administration insisted that the aid upon which agreement had been reached was final and unalterable. This is something that avoided the opposition of the American Congress and, at the same time, would keep American neutrality toward the Sahara dispute on the fence. On another level, Morocco categorically rejected the presence of American forces on its territory in normal circumstances and expressed strong reservations about the eventualities that might require a technical presence for those forces, particularly since the American-Moroccan military treaty defined the locations or stations that would be put at the disposal of the rapid deployment forces in their speedy interventions in the Middle East and Africa alike. Some of these locations are the old American bases like Sidi Slimane, al-Kenitra, and (al-Nawahir) which will be determined. [Text] [Paris AL-MUSTAQBAL in Arabic No 277, 12 Jun 82] 8389

CSO: 4504/371

## BRIEFS

NEW PROVINCE COMMISSIONERS APPOINTED--Khartoum, July 4 (SUNA)--President Ja'far Muhammad Numayri yesterday relieved four province commissioners from their offices and decreed new appointments in their places. Hereunder are the names: 1) 'Uthman Bakei to replace Ja'far Ahmad Daf'allah as commissioner of the Northern Province; 2) Ibrahim 'Abd-Al-Halim to replace Sayf-Al-Din-Al-Zubayr as Commissioner of the Nile Province; 3) 'Abd-Al Karim 'Abd-Al-Rahim Nur-Al-Din to replace Mirghani 'Abd-Al-Rahman Haj Sulayman as Commissioner of Northern Kordofan Province; 4) 'Abd-Al-Rahman Idris to replace Hasan Konda Karbus as Commissioner of Southern Kordofan Province. Each of the new Province Commissioners will hold the status of deputy minister. [Text] [Khartoum SUNA in English No 4176, 4 Jul 82 pp 1, 2]

EDUCATION COUNCIL APPOINTMENT--Khartoum, July 4(SUNA)--President Ja'far Muhammad Numayri yesterday decreed the appointment of former Juba University Vice-Chancellor Professor 'Abd-Al-Rahman Ahmad Abu-Zayd as Secretary-General of the National Council for Higher Education. [Text] [Khartoum SUNA in English No 4176, 4 Jul 82 p 2]

AL-TAWM APPOINTED--Khartoum, July 4 (SUNA)--President Ja'far Muhammad Numayri yesterday decreed the appointment of Ibrahim 'Ali Al-Tawm as member of the Kordofan Region People's Assembly to succeed Muhammad Ahmed Al-Tahir Abu-Kalabish who resigned from the Assembly. [Text] [Khartoum SUNA in English No 4176, 4 Jul 82 p 2]

ADMINISTRATIVE INSPECTORATE--Khartoum, July 4 (SUNA)--Long- and short-term plans for upgrading performance in the next phase at the Administrative inspectorate were the topics discussed by President Numayri and the Inspectorate Chairman yesterday afternoon. President Numayri, meanwhile, stressed on the important role of the Inspectorate in overseeing and inspecting the execution of policies pertaining to decentralization, besides discussing the Inspectorate budget and the bottlenecks it faces. [Text] [Khartoum SUNA in English No 4176, 4 Jul 82 p 4]

ASSEMBLY LEADERS--Khartoum, July 4 (SUNA)--President Numayri has decreed the appointment of the following as Ministers for the Regional Peoples Assemblies Affairs as well as leaders of their respective assemblies: [1] Mukhtar Ahmad Yusuf, Central Region; [2] Muhammad Ahmad Al-Tahir Abu-Kalabish, Kordofan Region; [3] Nasr-Al-Din Muhammed 'Umar, Darfur Region; [4] Dr Ja'far Ahmad Daf'allah, Northern Region. [Text] [Khartoum SUNA in English No 4176, 4 Jul 82 p 7]

JABAL AL-AWLIYA' WATER SHORTAGES--State Minister at the Ministry of Energy and Mining Dr Yusuf Sulayman discussed here yesterday with a delegation of East Jabal Al-Awliya' problems of water shortage in the area and how to solve them. [Text] [Khartoum SUNA in English no 4176, 4 Jul 82 p 11]

SUDANESE-EGYPTIAN COOPERATION--Khartoum, July 5 (SUNA)--Egyptians working in Sudan will be exempted from work permit fees as of July 1, it was announced here yesterday. It is worth noting that the Minister of Internal Affairs last May signed a joint protocol pertaining to that exemption with the Egyptian Minister of Manpower and Training. The initiative is considered a positive step towards bringing about integration and transfer of manpower between the two countries, the Director General of the Labour Department told SUNA. [Text] [Khartoum SUNA in English No 4177, 5 Jul 82 p 2]

REGIONAL FUNDS--The 1982-83 budget has allocated L.S. 68,800,000 for the regional development projects, SUNA learnt. The fund for the Southern Region amounted to L.S. 26 million, the largest of all the funds of the other regions. The areas of Khartoum province got the lowest fund, L.S. 3,300,000. [Text] [Khartoum SUNA in English No 4177, 5 Jul 82 p 6]

MADANI MEETING--The Central Region Government is due to hold a meeting here next Wednesday under the chairmanship of 'Abd-Al-Rahim Mahmud, the Governor of the Region. Mahmud will brief the meeting on the broad lines of the policy of his government in the next stage. The meeting will also discuss reports to be presented by the ministers about performance in the past transitional stage, and other issues. [Text] [Khartoum SUNA in English No 4177, 5 Jul 82 p 6]

POPULAR DEVELOPMENT--Khartoum, July 6 (SUNA)--The chairman of the National Committee for Popular Development, 'Izz-Al-Din Al-Sayyid, yesterday held a plenary meeting in his office at the SSU attended by Northern Region Governor, 'Abdallah Ahmad 'Abdallah, President of the High Executive Council for the Southern Region, Joseph Tombura and a number of Regional Ministers besides the committee's secretary, Kamal Muhammad 'Ali Al-Shayqi' and some committee members. The meeting discussed the necessary steps for the formation of the popular development committees in the regions and the regions' contribution to the capital of the Popular Development Bank. The committee's secretary presented at the meeting a comprehensive report on future plans. The projects comprise poultry, bakeries, distribution and storage of supply commodities including vegetables, fruits and fish besides the manufacturing of building materials and ready-made wears in addition to medicine trade. The committee secretary also informed the meeting of the outcome of his last visit to Egypt. The meeting further discussed the one-million-feddan integrated agricultural project which will in future be implemented in a number of Sudan's regions in the form of integrated agricultural schemes to provide the Arab world needs of agricultural and animal products. At the end of the meeting Al-Sayyid declared that the coming few days would witness the formation of the national committee's affiliate companies which will implement the approved projects. The committee secretariat will tour the regions to supervise formation of the popular development committees there, Al-Sayyid concluded. [Text] [Khartoum SUNA in English No 4178, 6 Jul 82 pp 3,4]

CSO: 4500/241

UNITED ARAB EMIRATES

'POLICY OF CAUTION' FOR DUBAYY DEVELOPMENT

GF271835 Dubayy KHALEEL TIMES in English 27 Jul 82 p 1

[Article by K. P. Nayar]

[Excerpt] The Dubayy government is to follow a policy of caution in the implementation of new projects despite the discovery of major oil and gas reserves in the emirate this year.

Instead, the emphasis in coming years will be on the consolidation of infrastructure and improvement of existing facilities.

Although caution will be the watchword in regard to important new development schemes, several projects directly supervised by the rulers' office in Dubayy have been entrusted to the municipality under a new policy.

This way, the scope of responsibilities of the civic body has been widened. Under the new arrangement, "watch-dog" committees with varied responsibilities have already been set up to oversee the execution of schemes transferred to the supervision of the municipality.

In an introduction to the Dubayy external trade statistics for 1981 made available to KHALEEL TIMES yesterday, Mr W. R. Duff, the government's financial expert, has said that although trade is still suffering from the effects of the Gulf war, turnover is nevertheless reasonable.

"Hotel occupancy is improving and limited optimism has brought about an increase in rents." These factors apart, the statistical report averred that the cost of living in Dubayy has remained stable.

Referring to the discovery of associated gas [as published] to the tune of about 4.2 trillion cubic feet in Margham, 45 km from the city two months ago, Mr Duff indicated that the new find is expected to be crucial to the emirate's economy.

Describing the impact of the discovery as "far-reaching," he said "prospects for 1982 and 1983 must be viewed in the light of the promising" Margham find.

CSO: 4400/398

## DUBAY PLANS DUTY-FREE SHOPPING COMPLEX

Dubayy KHALEEJ TIMES in English 18 Jul 82 p 3

[Article by Maruf Khwaja]

[Text]

DUBAI'S first international duty-free shopping complex will be ready in about two years.

The complex, consisting of 24 shops housed in the basement of Dubai International Airport's terminal building, will make available all kinds of consumer and durable goods—from video recorders to motor vehicles—to transiting passengers who would not otherwise be able to shop in one of the cheapest and best stocked free markets in the world.

Disclosing this in an interview yesterday, Dubai's director general of civil aviation, Mr Mohidin A. Binhendi told Khaleej Times that the shopping facilities planned for the airport would be different from those existing at international terminals elsewhere. The shops would not be just showroom reproductions of Dubai's market place with fancy goods stocked in shelves. As envisaged, it would be possible both for transit and departing passengers to make advance purchases or place orders for goods which would be delivered anywhere in the world. Mr Binhendi said that his department was currently processing site plans for the complex.

Work would basically consist of converting the basement area into a glittering arcade spread over 20,000 square feet of space. The basement was previously occupied by the airport's catering contractors who have recently moved into new premises at the Airline Centre.

Asked how with only a one per cent customs duty advantage airport shopkeepers would compete with the city market especially for the custom of departing passengers, he said this would be achieved through better management of retailing and economic sources of supply. Prices of goods, he said, would be substantially lower than in the market place. Being located in a bonded area, the shops would be exempt from agency restrictions. They could import stocks direct from producers, and costs would be cut by the absence of distributors' commissions.

Even so, said Mr Binhendi, it was the department's intention to obtain the cooperation of recognised agents of products in the country. Assured of business from a hitherto untapped market source—the transiting passenger—distributors should be found willing to reduce commission margins accordingly.

Asked if he envisaged granting of allotments in the complex to existing Dubai agents of well-known products, he said priority would be given to operators of existing outlets and the airport. There were several of them. In any case, he said, management of the complex would remain in the hands of the department which would maintain the facility at the cost and behest of the shopkeepers. There would also be an element of standardisation of upkeep—such as staff uniforms, terms and times of service etc. One clear advantage of the facility over the traditional market place, besides its accessibility to transit visitors, would be its round-the-clock

functioning. The mail order aspect of the operation was still under consideration but it was evident that this could provide the complex with the bulk of its business.

In reply to a question, Mr Binhendi disclosed plans to construct a parallel second runway at the airport. This would be a category II runway and its requirement at the airport was evident in the extremely busy schedule of arrivals and departures which kept the existing runway occupied 24 hours a day. This left very little time for the periodic maintenance of the tarmac and when it was undertaken, part of the facility had to be closed resulting in unnecessary diversion of aircraft. This problem would be overcome with the construction of a second runway.

Asked when the additional facility might be completed, he said if work were to begin this year—subject to final approval by the government—the second runway could be operational in about 18 months.

Meanwhile, plans to construct a new arrivals terminal opposite the present building, are in abeyance pending government approval of plans. Besides the new terminal, two control buildings are also proposed to be constructed. The existing building would then be converted into a departure facility.

Apart from the work on the basement shopping complex, work was also proposed on refurbishing the upper level of the airport building. Several facilities were being redesigned and expanded. Internal communications were being improved with escalator links between the basement and upper levels.



## DUBAYY AIRPORT STATISTICS REPORTED

Dubayy KHALEEJ TIMES in English 17 Jul 82 p 3

[Text]

THE Dubai international airport witnessed a significant increase in the number of passengers in the first half of the current year. Cargo movement also registered an increase.

Figures revealed by airport authorities show that 1,594,763 passengers, 6.5 per cent more than in the same period last year, used the airport.

June was the busiest month with 290,920 passengers followed by May while February had the lowest number of passengers—223,092.

Cargo traffic increased from 30,752,042 kg in the first half of last year to 36,480,944 kg, an increase of about 16.5 per cent. Cargo traffic reached an average of 201,552 kgs daily.

June had the highest cargo traffic—6,601,210 kg—followed by March. May had the lowest.

Departing passengers during the period numbered 433,448, a daily average of 2,394. June was the busiest month and February the leanest as far as departures were concerned.

Arrivals were 427,723, a daily average of 2,363. May was the busiest and February the leanest.

Transit passengers numbered 733,581, a daily average of 4,000. The

maximum number of transit passengers were in June and the minimum in May.

Cargo export through the airport amounted to 8,052,675 kg, a daily average of 44,490 kg. March was the peak month and April the leanest. Cargo import amounted to 24,193,769 kg, a daily average of 157,000 kg. The import was the highest in March and lowest in May.

Mr Mohamed Al Khwaja, head of the operations and freight section at the airport, attributed the increase in cargo traffic to increased commercial activity, holding of exhibitions, urban development, preparations for Ramadan and additional flights by airlines.

He expects a further increase in the volume of air cargo in the second half of the year.

Mr Ismail Ali, head of the passenger services section attributed the increase in passenger traffic to more regular flights through the airport such as the Pan-Am service to New York which started in May, Air India's additional flights to New York from April and Gulf Air's new flights to Tunis from June and additional flights to Cyprus from this month.

He said the facilities offered by ground services, use of modern equipment at the airport and use of computer in preparing embarkation cards, etc, also contributed to the increase in traffic.—WAM

SKILLED CHINESE LABOR

Manama GULF MIRROR in English 26 Jun 82 p 19

[Text]

**CHINESE skilled labour in the construction industry will soon be seen in UAE for the first time after the signing of an agreement between the People's Republic of China and a prominent Dubai businessman.**

The agreement was signed in Dubai this week between Mr. Majed Ahmed Al Ghurair and the state-owned China Construction Engineering Corporation (CCEC).

Under the contract, China will provide labour, expertise and materials for the design and construction of various housing and building projects in UAE.

**Sponsor**

Mr. Al Ghurair, who is chairman of the Emirates National Bank, will provide the capital for all projects undertaken by the company, which has set up a base in Dubai under the name Arabian China Construction En-

gineering Corporation.

It will be managed by Mr. Fu Zehn-Yu and will technically act as the sponsor for CCEC's participation in UAE tendering.

Announcing the deal at a press conference at the Hyatt Hotel, Mr. Ghurair told reporters that the agreement would pave the way for a new economic collaboration between China and the UAE.

The bank chairman said he was familiar with some of the projects undertaken by the company in various other countries and had "tremendous regard for Chinese capabilities" in carrying out large-scale construction projects.

He named some of the major projects completed by the Chinese company which included the Friendship Hall in Sudan, the Somalia National Theatre, the Bandaranaika Conference Hall in Sri Lanka and a gymnasium in Pakistan.

## UNITED ARAB EMIRATES

### BRIEFS

OILFIELD DEVELOPMENT--The Shah oilfield, which was discovered 16 years ago but never exploited, is currently being developed by the Abu Dhabi Company for On-shore Oil Operations (ADCO). An article in ADCO's new company newspaper, On-shore Echo, reveals that work is due for completion on five wells by the end of this year. Production capacity is estimated at 50,000 barrels per day. The field is situated approximately 250 kms south west of Abu Dhabi, near the border with Saudi Arabia. Initial production tests are expected to start early next year. The company is currently laying pipelines and building three plants for separation of associated gas which will be used to fuel electricity generators for both the pumps and the work camp. Earlier this week the Abu Dhabi Ruler's representative in the Eastern Region and Chairman of the Abu Dhabi National Oil Company, Shaikh Tahnoun bin Mohammed, praised the ADCO publication. He said the eight-page fortnightly newspapers--in Arabic and English--would play an important role in developing the unity of the company. [Text] [Manama GULF MIRROR in English 3 Jul 82 p 3]

RASHID PORT STATISTICS--The average turn-round of ships at Rashid port in Dubai is the highest in the world. This is revealed in a report on the performance of the port in the first six months this year. The report said that 822 ships called at the port during the period, bringing 2,555,341 tons of goods. Of them 423 were container ships which brought 1,373,048 tons of goods--more than half of the goods received. General goods amounted to 1,182,292 tons carried by 406 ships. The report said the port's container terminal received 36,825 container units during the period. The maximum number of containers--6,989 units--arrived in March and the minimum--4,775 units--in February. Exports during the period were 79,143 tons, 81 percent of them in containers. [Text] [Dubayy KHALEEJ TIMES in English 21 Jul 82 p 3]

CSO: 4400/399

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